

[Business and Tax Regulations Code - Early Care and Education Commercial Rents Tax Baseline]

Ordinance ~~reducing~~ modifying the baseline funding requirements for early care and education programs in Fiscal Years 2023-2024 and 2024-2025, to enable the City to use Early Care and Education Commercial Rents Tax revenues for those programs.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in *strikethrough italics Times New Roman font*.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Findings.

In June 2018, the voters approved Proposition C, which imposed a new tax on the gross receipts from the lease of commercial space in properties in the City (the "Tax"). The ballot measure required the City to spend 85% of the revenues from the Tax to fund quality early care and education for young children. At the time, the City already provided significant funding (the "Base Amount") to early care and education programs ("Baseline Programs").

Proposition C added to that existing funding for Baseline Programs, and provided that in any given fiscal year, the City can spend Tax revenues only if it has also appropriated separate funds for Baseline Programs in an amount equal to at least the Base Amount (subject to some adjustments by the City Controller). The intent of Proposition C was to ensure dedicated revenues to increase funding for quality early care and education for San Francisco children under the age of six, and to prevent supplanting existing funding.

1 ~~But to allow flexibility,~~ While the voters authorized the Board of Supervisors to amend
2 ~~or repeal~~ the measure by ordinance, they did not intend revenues from the Tax to be used to
3 fill other budgeting priorities. The goal of the measure was to a establish a dedicated funding
4 source to realize the goals of a universal early care and education system. Under Business
5 and Tax Regulations Code Section 2113, ~~the amendment does not require~~ the Board may
6 amend the measure without a supermajority vote ~~and does not require~~ or any specific
7 findings.

8 The City uses funding from a variety of sources, including State and Federal grants, for
9 early learning scholarships, compensation for early educators, parenting support, childcare
10 facilities, and additional programs. Despite these investments, there is still a gap in meeting
11 the needs of families of young children and expanding quality early care and education. This
12 requires an ongoing strategy to increase wages and benefits for early care educators; to
13 recruit and retain the workforce; to expand and improve access to child care slots for families
14 up to 200% of Area Median Income, particularly for infants and toddlers; and to develop other
15 measures that support the physical, emotional, and cognitive development of children under
16 six. The City is facing a \$780 million deficit while many of the essential programs that support
17 our most vulnerable communities have been cut by Federal and State emergency funding.

18 By using ~~Tax revenues~~ interest earned in the Babies and Families First Fund to fund
19 Baseline Programs previously funded from the General Fund, the City can redirect those
20 General Fund monies that would have funded Baseline Programs toward other essential
21 services for children and families, including food access programs. This Ordinance is an
22 extraordinary step that balances the budget without a long-term funding solution for ongoing
23 essential programs. Thus, this approach is a one-time emergency solution that should not be
24 repeated in future years. This Ordinance temporarily modifies the baseline requirements in
25 Business and Tax Regulations Code Section 2112(f) and (g) for Fiscal Years 2023-2024 and

1 2024-2025 to ~~reduce credit against~~ the Base Amount interest earned in the Babies and
2 Families First Fund. This modification will allow the City to respond to early child care and
3 education needs by appropriating funds from the Tax to support Baseline Programs without
4 also appropriating separate funds at the level June 2018 Proposition C would have otherwise
5 required.

6
7 Section 2. Modification of Baseline Provisions in Proposition C.

8 Pursuant to Business and Tax Regulations Code Section 2113, the Board of
9 Supervisors temporarily modifies Article 21 of the Business and Tax Regulations Code to:

10 (a) Credit against the Base Amount, as that term is defined in Section 2103, interest
11 earned in the Babies and Families First Fund in Fiscal Years 2023-2024 and 2024-2025 and
12 prior Fiscal Years in the amounts of up to \$20,000,000 for Fiscal Year 2023-2024 and up to
13 \$10,000,000 for Fiscal Year 2024-2025. These credits shall not be applied against the Base
14 Amount in any Fiscal Year where the cash balance in the Babies and Families First Fund as
15 of July 1 of that Fiscal Year is less than \$100 million; and

16 (b) In Fiscal Year 2024-2025, not increase the Base Amount, as that term is defined in
17 Section 2103, as required in Section 2112(g) despite any increase in aggregate City
18 discretionary revenues in that fiscal year, unless the City's projected budget deficit for that
19 year at the time of the Joint Report or Update to the Five Year Financial Plan in March 2024 is
20 less than the amount referenced in Section 2112(h) after annual adjustments.

21 ~~reduce the Base Amount, as that term is defined in Section 2103, by \$20,000,000 in~~
22 ~~Fiscal Year 2023-2024 and by \$10,000,000 in Fiscal Year 2024-2025, and to suspend any~~
23 ~~growth in the Base Amount in those two fiscal years.~~

Section 3. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/
JON GIVNER
Deputy City Attorney

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City and County of San Francisco

Tails Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 230661

Date Passed: July 25, 2023

Ordinance modifying the baseline funding requirements for early care and education programs in Fiscal Years 2023-2024 and 2024-2025, to enable the City to use Early Care and Education Commercial Rents Tax revenues for those programs.

June 15, 2023 Budget and Appropriations Committee - CONTINUED

June 22, 2023 Budget and Appropriations Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

June 28, 2023 Budget and Appropriations Committee - RECOMMENDED AS AMENDED

July 11, 2023 Board of Supervisors - CONTINUED ON FIRST READING

Ayes: 10 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Safai, Stefani and Walton

Excused: 1 - Ronen

July 18, 2023 Board of Supervisors - PASSED ON FIRST READING

Ayes: 10 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Ronen, Safai, Stefani and Walton

Noes: 1 - Preston

July 25, 2023 Board of Supervisors - FINALLY PASSED

Ayes: 10 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Ronen, Safai, Stefani and Walton

Noes: 1 - Preston

File No. 230661

I hereby certify that the foregoing
Ordinance was FINALLY PASSED on
7/25/2023 by the Board of Supervisors of the
City and County of San Francisco.



Angela Calvillo
Clerk of the Board



London N. Breed
Mayor

7/28/23

Date Approved