

[Business and Tax Regulations Code - Early Care and Education Commercial Rents Tax Baseline - FY 2025-2026 and 2026-2027]

Ordinance modifying the baseline funding requirements for early care and education programs in Fiscal Years (FYs) 2025-2026 and 2026-2027, to enable the City to use the interest earned from the Early Care and Education Commercial Rents Tax for those baseline 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 ~~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”), though there was a growing unmet need. The ballot measure directs the remaining 15% of revenues to the General Fund to support other discretionary funding priorities.

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

1 ensure dedicated revenues to increase funding for quality early care and education for San
2 Francisco children under the age of six, without those revenues supplanting existing funding.

3 While the voters authorized the Board of Supervisors to amend Proposition C by
4 ordinance, the purpose of the measure was to “provide dedicated revenues to increase
5 funding for quality early care and education for San Francisco children under the age of six”—
6 that is, to supplement existing funding for early care and education above the existing
7 baseline. Under Business and Tax Regulations Code Section 2113, the Board may amend
8 the ordinance without a supermajority vote or any specific findings.

9 The City uses funding from a variety of sources, including State and Federal grants, for
10 early learning scholarships, compensation for early educators, parenting support, childcare
11 facilities, and additional programs. Despite these investments, there is still a gap in meeting
12 the needs of families of young children and expanding quality early care and education. This
13 requires an ongoing strategy to increase wages and benefits for early care educators; recruit
14 and retain the workforce; expand and improve access to childcare slots for families up to
15 200% of Area Median Income, particularly for infants and toddlers; and develop other
16 programs that support the physical, emotional, and cognitive development of children under
17 six. In approving this Ordinance, the Board recognizes that the voters did not intend revenues
18 from the Tax to be used to fill other budgeting priorities, and acknowledges the goal of the
19 measure was to establish a dedicated funding source to realize the goals of a universal
20 early care and education system.

21 This Ordinance would allow the City to use interest earned in the Babies and Families
22 First Fund to fund Baseline Programs previously funded from the General Fund. Doing so will
23 further the purposes of Proposition C, as it will enable the City to redirect those General Fund
24 monies that would have funded Baseline Programs toward other essential services for
25 children and families, such as educational programs for children, family support services, and

1 food access programs. To that end, this Ordinance temporarily modifies the baseline
2 requirements in Business and Tax Regulations Code Section 2112(f) and (g) for Fiscal Years
3 2024-2025 through 2026-2027 to credit against the Base Amount interest earned in the
4 Babies and Families First Fund.

5 In July 2023, the City enacted Ordinance No. 176-23, which temporarily modified the
6 baseline requirements for Fiscal Years 2023-2024 and 2024-2025 to credit against the Base
7 Amount interest earned in the Babies and Families First Fund. In June 2024, the Board
8 enacted Ordinance No. 198-24, extending the modification for one additional fiscal year. This
9 Ordinance supersedes Ordinance No. 198-24 as to the requirements for Fiscal Year 2025-
10 2026, and also extends the modification for one additional fiscal year.

11 12 Section 2. Modification of Baseline Provisions in Proposition C.

13 Pursuant to Business and Tax Regulations Code Section 2113, the Board of
14 Supervisors temporarily modifies Article 21 of the Business and Tax Regulations Code to
15 credit against the Base Amount, as that term is defined in Section 2103, interest earned in the
16 Babies and Families First Fund in Fiscal Years 2025-2026 and 2026-2027 in the following
17 amounts: for Fiscal Year 2025-2026, up to \$16,900,000, and for Fiscal Year 2026-2027, up to
18 \$16,900,000. These credits shall not be applied against the Base Amount in any Fiscal Year
19 where the cash balance in the Babies and Families First Fund as of July 1 of that Fiscal Year
20 is less than \$300~~200~~ million.

21
22 Section 3. Direction to the Clerk of the Board of Supervisors. Upon enactment of this
23 ordinance, the Clerk of the Board of Supervisors shall place a copy of this ordinance in File
24 Number 240604, and shall note on the Board's website referencing the passage of Ordinance
25 No. 198-24 and that this ordinance supersedes Ordinance No. 198-24.

1 Section 4. Effective Date. This ordinance shall become effective 30 days after
2 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
3 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
4 of Supervisors overrides the Mayor's veto of the ordinance.

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6 APPROVED AS TO FORM:
7 DAVID CHIU, City Attorney

8 By: /s/
9 BRADLEY A. RUSSI
 Deputy City Attorney

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