

Presentation to San Francisco Child Care Planning & Advisory Council

October 8, 2025



San Francisco Department of
Early Childhood





Today's Discussion

- FY 2025-26 Budget refresher and update
- Factors Driving Budget Growth
 - Change in age mix
 - Facilities development
 - Pre-ELFA pipeline
- Other Considerations
 - Keeping up with costs
 - Breadth versus depth

Key Accomplishments and Indicators

- Children's kindergarten readiness continues to rise.
- Participation in DEC Early Learning programs has nearly returned to pre-pandemic levels despite a 20% decrease in the child population.
- Families and the ECE system have adapted to account for TK, and enrollment of infants and toddlers has increased by 300%.
- More early educators are benefiting from higher compensation, and many are receiving career supports.
- Developmental screening is accessible than ever before — reaching families earlier.

Budget Refresher and Update





Budget Timeline

January	Technology project proposals due
January 28	Public Presentation: Budget Priorities
February 11	Public Presentation: Expenditure Plan
February	Department Phase Budget Submission
May/June	Department presentations to BOS
June	Mayor proposes Citywide budget
July 31	Last day for BOS to adopt budget

From Vision to Implementation: Understanding DEC's Spending Plan

- Since the release of Baby Prop C funds, DEC enrollment has steadily grown, but the early years created a fund balance.
 - Three years of litigation through the state Supreme Court.
 - The COVID-19 pandemic, city population losses, and transitional kindergarten expansion affected DEC program participation in unpredictable ways.
 - Eligibility expansion and new initiatives took time to ramp up.
 - DEC staffing and operations were being established to account for rapid growth in enrollment and workforce development.
- Prop C Fund balance at the close of FY2024-25 was \$572.5M (including rainy day and other reserves)



Policy Drivers for use of Baby Prop C One-time-Only (OTO) Funds (April 2021)

- Build a sustainable early learning infrastructure that responsibly leverages one-time funds and prevents future fiscal cliffs that is aligned with community priorities.
- Expand licensed birth-to-three child care capacity (“gap”) based on 2017 CPAC Needs Assessment.
- Invest in the compensation and career development of early educators.

Current and Future Demands on Fund Balance

- Last year (FY25), DEC's actual expenditures for early learning financial support (subsidies) and workforce compensation nearly matched revenue, a year earlier than expected.
- Without anticipated revenue growth, future policy decisions must address:
 - Expanded eligibility and financial aid for higher-income families
 - Cost increases from serving proportionally more infants and toddlers
 - Growth in programs participating in Early Learning For All (facilities and/or pre-ELFA)
 - Inflation adjustments: enrollment/workforce compensation
- New programs and initiatives

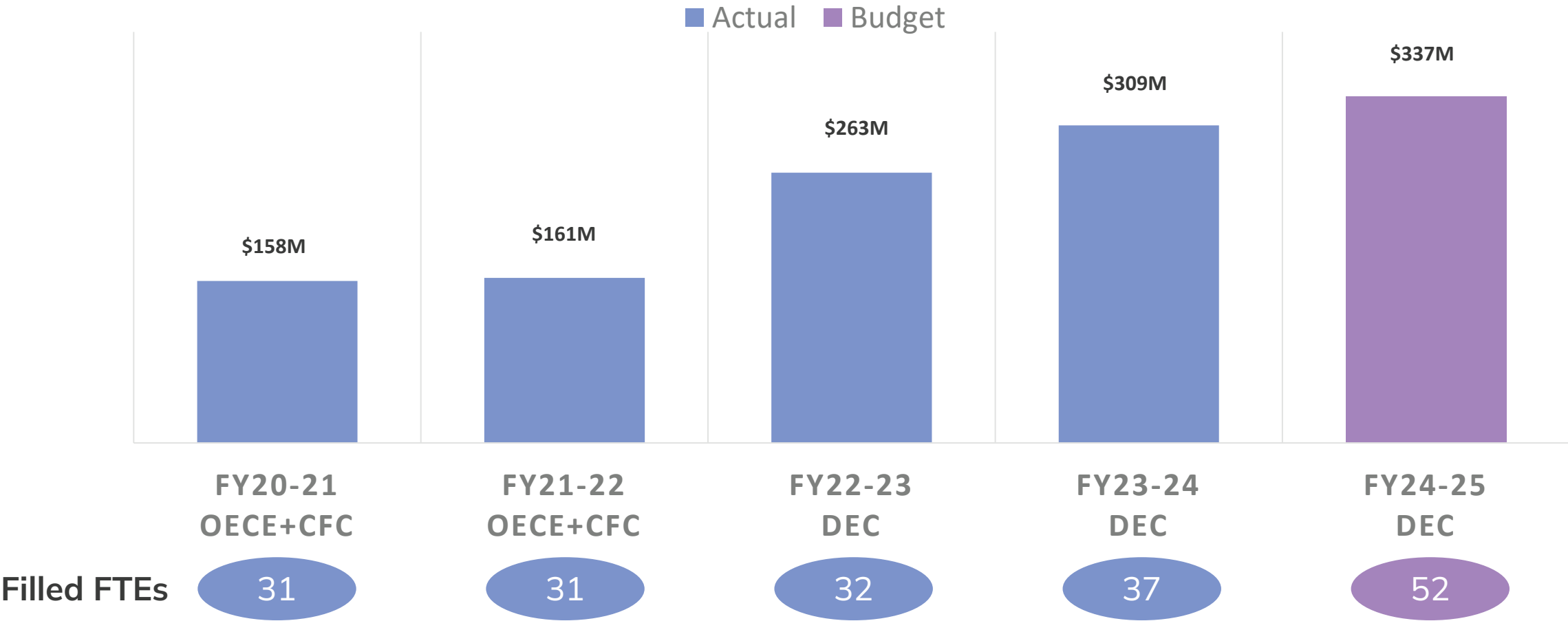
Factors Driving Budget Growth



Expenditures Rising as Capacity Expands

- Hiring freeze FY25
- New hires subject to individual MYR exceptions by role

DEC EXPENDITURE TRAJECTORY

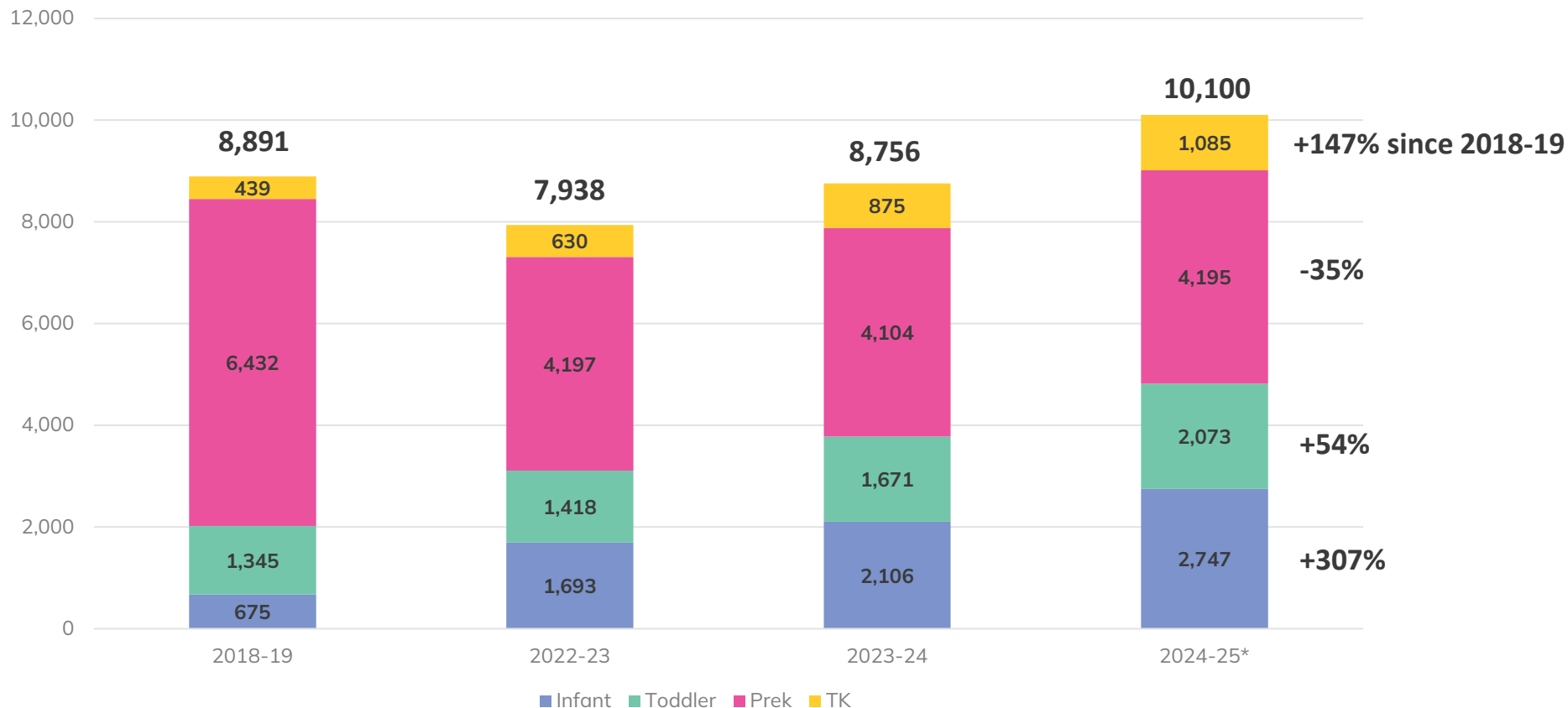


How Does Age Mix Affect Program Costs?



Infant/Toddler Enrollment Now Surpasses Preschoolers

Enrollment in ELFA and TK, 2018-19 vs. Last Three Fiscal Years
(DEC and SFUSD administrative data)



* 2024-25 data are still preliminary. Final counts available in January 2026.



What are Cost Implications of Serving More Infants and Toddlers?

- Enrollment at ELFA programs is growing rapidly year over year.
- The increased cost of infant and toddler care causes subsidy spending to grow faster than enrollment.

	FY23	FY24	FY25
ELFA enrollment*	3,465	4,157	4,788
% change from prior year	-	+16.7%	+15.2%
Local subsidy expenditure	\$79.8M	\$92.3M	\$113.7M
% change from prior year	-	+20.0%	+23.3%

* Excludes state/federally subsidized enrollments at ELFA sites, who benefit from ELFA funding in other ways, such as workforce initiatives. Also excludes PFA family child care homes from FY24/25.

Facilities Development & Expansion of ELFA Network

Fiscal Impact of Facilities Development on Operating Costs*

New facilities expand access — and long-term fiscal commitment.

	2023	2024	2026
Number of facilities grants to centers	14	9	10
Funding for facilities grants to centers	\$13,140,380	\$7,220,311	\$20,400,000
Number of facilities grants to FCCHs	3	7	0
Funding for facilities grants to FCCHs	\$38,443	\$3,500,000	\$ -
New infant and toddler spaces added	323	133	210
New preschool spaces added	229	132	208
Total NEW spaces	552	265	418
New Spaces: ELFA Subsidy Costs	\$9,797,005	\$4,703,272	\$7,418,747

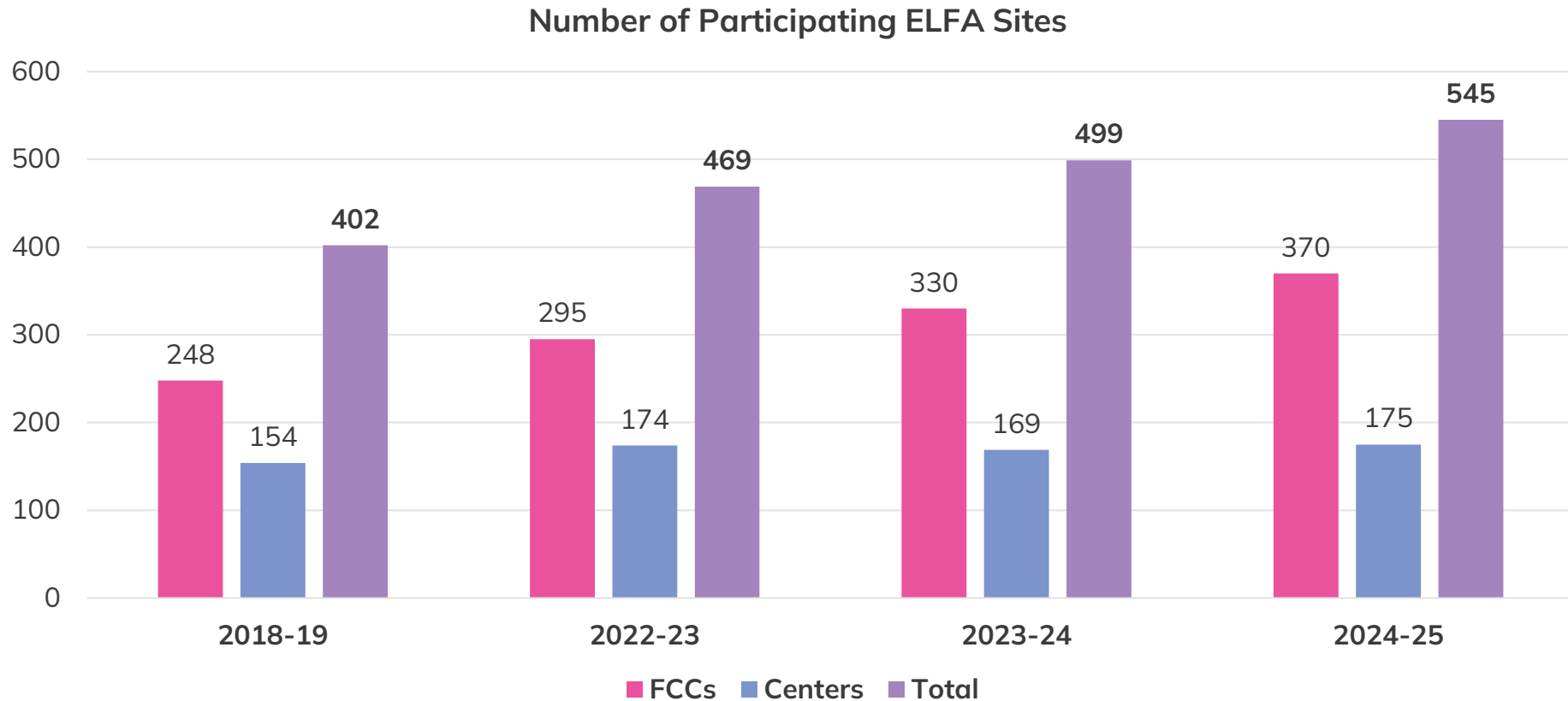
One-time only

Ongoing

* Operating cost does not include added compensation expenses from EESSG and CARES. Facilities funding does not include DEC's funds for repair and renovation, FCC downpayment assistance, and Children Connecting to Nature.



Current Growth: ELFA Network Expansion Mixed Delivery System



FY25 average ELFA-funded enrollment, centers

35.3

FY25 average ELFA-funded enrollment, FCCHs

7.7



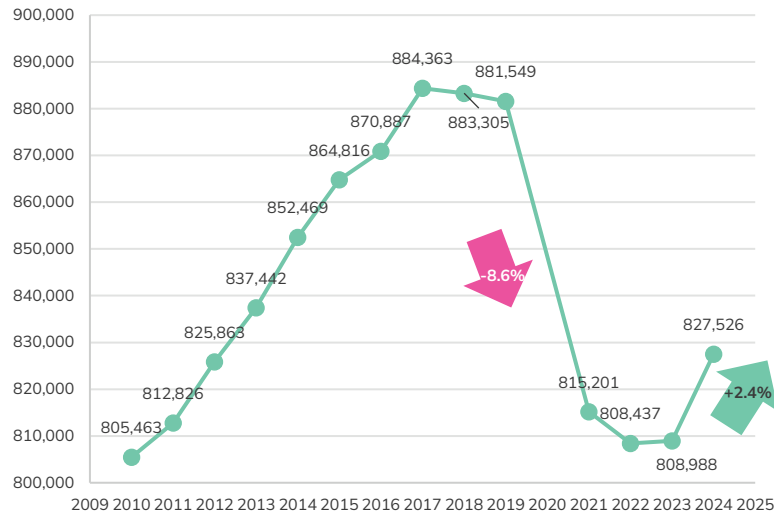
ECE Supply and Long-term Impact



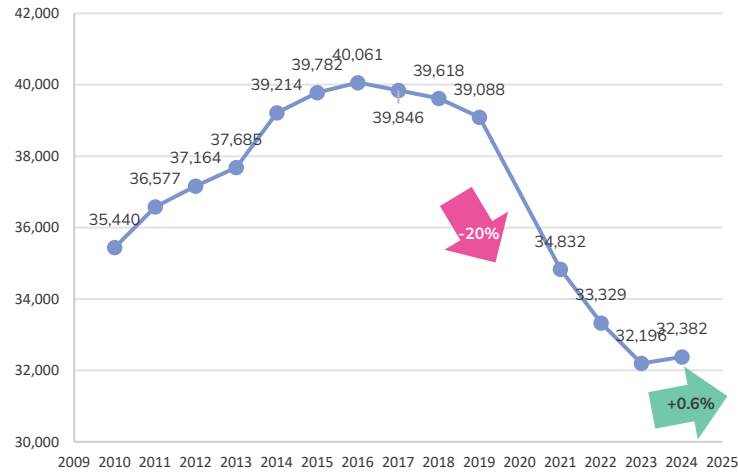
- Universal access for TK + preschool in San Francisco and no appreciable population growth in any age group 0-5
- More opportunity to grow infant and toddler group care, yet parents with higher income demand less of this type of care at younger ages, especially for newborns
- Building/expanding facilities increases competition for enrollment, especially for preschool, since center-based facilities add more spaces than FCCH.
- Facilities projects continue to add preschool spaces, at a rate of 46% preschool, 54% infant and toddler
- Adding new sites from the pre-ELFA pipeline similarly increases competition for enrollment
- Expanding ELFA income eligibility might help with vacancies, yet higher-income families typically utilize private-pay care arrangements

San Francisco's Population is Rebounding – But Not Children 0-5

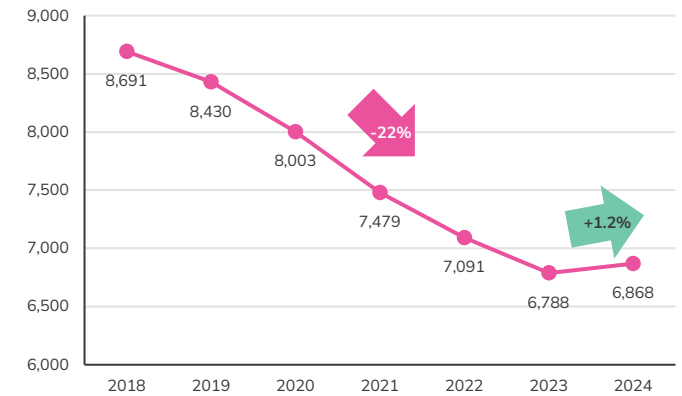
Population of San Francisco (2010-2024)
(American Community Survey 1-Year Estimates)



Population Under 5 in San Francisco (2010-2024)
(American Community Survey 1-Year Estimates)



San Francisco Births by Year of Occurrence (2018-2024)
(California Department of Public Health Vital Record Business Information System)



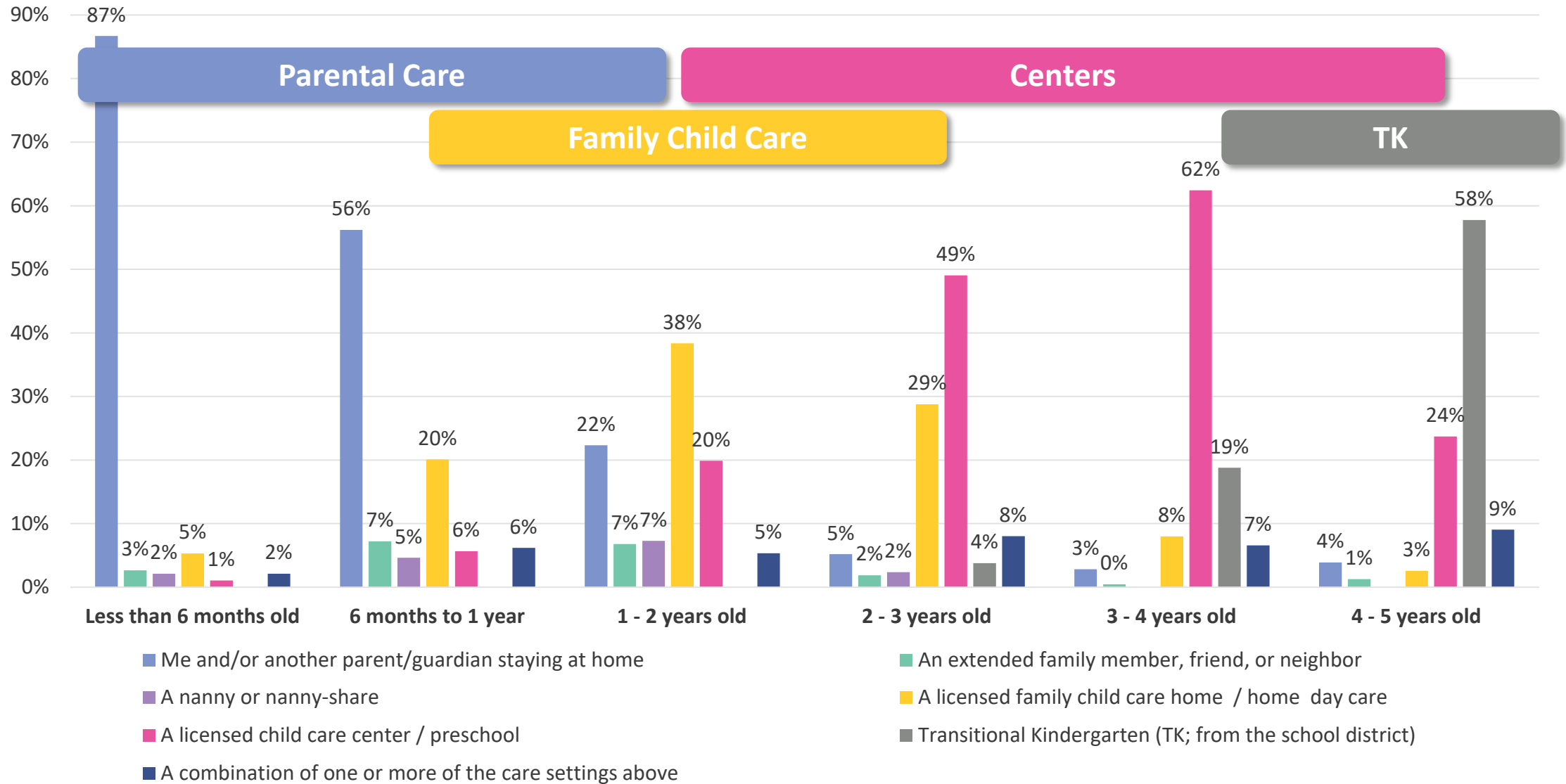
Beyond Access: Strengthening What We've Built

ELFA Income Eligibility in Context of Regional Household Incomes

Income Standard	Annual Income for a Family of 4	Percentile of Households in SF Metro Area
100% of FPL (Head Start)	\$32,150	12%
85% of SMI (CCTR)	\$108,240	42%
100% of SMI (CSPP)	\$127,338	48%
110% of AMI (ELFA fully funded)	\$171,450	61%
Living Wage	\$183,414	63%
150% of AMI (ELFA tuition credit)	\$233,800	73%
200% of AMI	\$311,700	83%

Sources: San Francisco Chronicle (<https://www.sfchronicle.com/projects/2025/bay-area-rich-calculator/>) and Living Wage Calculator (<https://livingwage.mit.edu/counties/06075>)

Parents' Child Care Preferences by Age of Child: Insights for Systems Planning



What's Next: Do More and Better

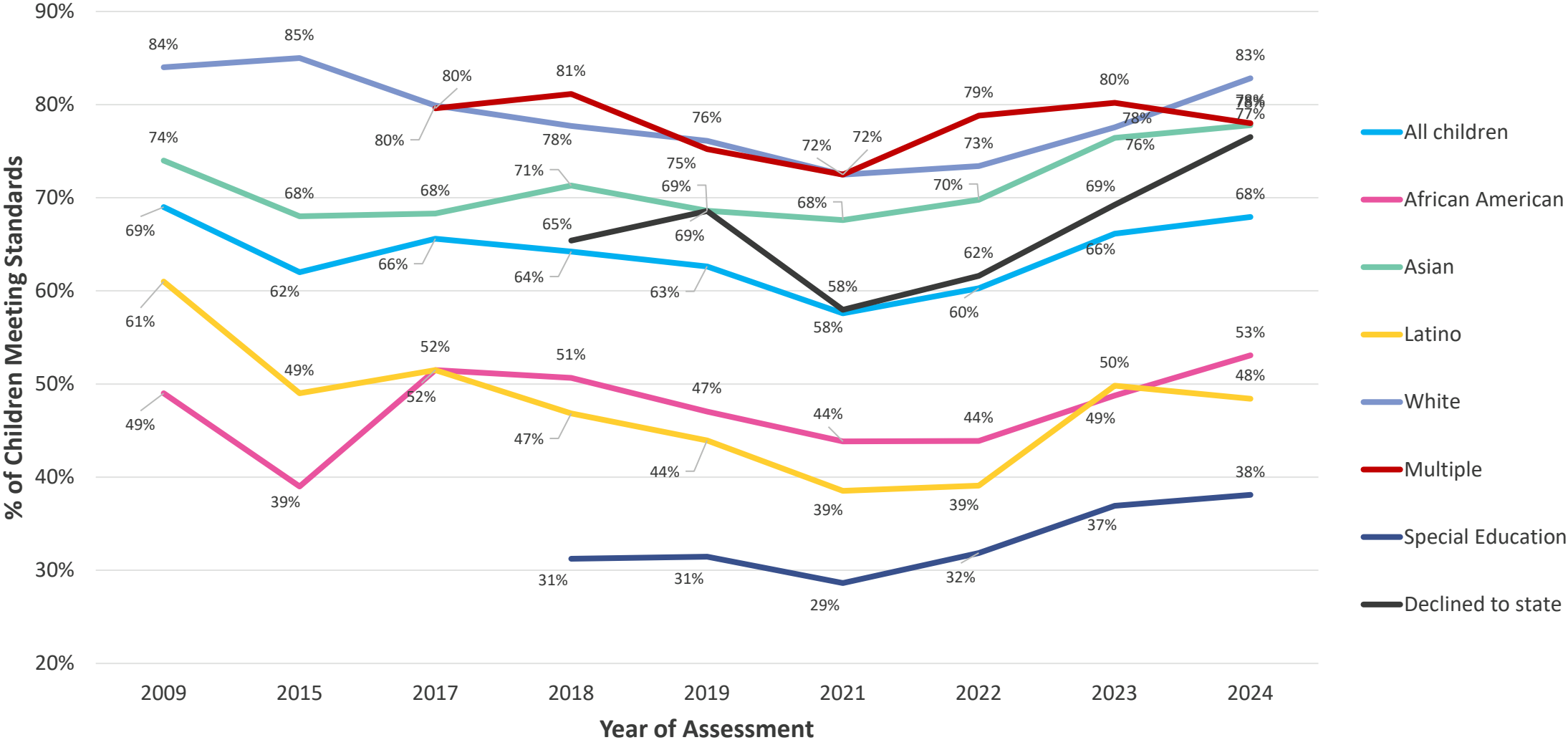


- Increase professional development on effectively serving infants and toddlers, and children with special needs.
- Enhance specialized services for children with special needs or children of concern and invest in inclusive ECE settings/facilities.
- Deepen quality improvement support for family child care educators.
- Invest in instructional support for dual-language and culturally responsive early care and education.

K readiness has risen, but large disparities remain

Kindergarten Readiness of Entering SFUSD Students by Race/Ethnicity and Special Needs, 2009-2024

(Kindergarten Observation Form for 2009 and 2015, Kindergarten Readiness Inventory for 2017-2024)



Q&A



Appendix

Current Early Learning for All Rates

- Rates shown are for full-time care

Age Group	Fully Funded (0%-110% AMI)		Tuition Credit (111%-150% AMI)	
	Monthly	Annual	Monthly	Annual
Infants	\$3,027	\$36,324	\$1,514	\$18,168
Toddlers	\$2,306	\$27,672	\$1,153	\$13,836
Preschoolers	\$2,115	\$25,380	\$1,058	\$12,696

How would
inflation
adjustments
affect cost?

How would inflation adjustments affect annual costs?

- Hypothetical impact of annual inflation adjustments on a \$160 million ELFA subsidy budget, assuming no changes in enrollment or workforce growth—only maintaining current spending levels.

Year	Additional amount needed above current budget to cover inflation*	
	2% Fed target	3% Current CPI (FY25 CODB)
Year 1	\$ 3,200,000	\$ 4,800,000
Year 2	\$ 6,464,000	\$ 9,744,000
Year 3	\$ 9,793,280	\$ 14,836,320
Year 4	\$ 13,189,146	\$ 20,081,410
Year 5	\$ 16,652,929	\$ 25,483,852
Subtotal, 5-year cumulative	\$ 49,299,354	\$ 74,945,582
Year 6	\$ 20,185,987	\$ 31,048,367
Year 7	\$ 23,789,707	\$ 36,779,818
Year 8	\$ 27,465,501	\$ 42,683,213
Year 9	\$ 31,214,811	\$ 48,763,709
Year 10	\$ 35,039,107	\$ 55,026,621
Total, 10-year cumulative	\$ 186,994,467	\$ 289,247,311