

File No. 201361

Committee Item No. 1

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date December 16, 2020

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

#### OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong

Date December 11, 2020

Completed by: Linda Wong

Date \_\_\_\_\_



London Breed  
Mayor

December 9, 2020

Honorable Supervisor Sandra Fewer  
Budget and Finance Committee Chair  
Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102

Linda Wong, Clerk  
Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102



Ingrid Mezquita  
Executive Director

RE: Release of Budget and Finance Committee Reserve--**Resubmission**

In accordance with the provisions of the Adopted Annual Appropriation Ordinance 165-20 for Fiscal Year ending June 30, 2021 and Fiscal Year ending June 30, 2022, I am hereby requesting the release of the Budget and Finance Committee Reserve for \$42.0 million appropriated for Early Care and Education for All.

As you know, the Board of Supervisors approved the *SF OECE 5-year spending plan for Early Education for All* on December 1, 2020. We engaged in a multi-faceted outreach effort to develop the spending plan for *Baby Prop C*. The outreach response helped us identify spending priorities. These priorities are still very relevant and valid. This year has required us to consider the current challenges facing the ECE community. Programs are facing additional costs and reduced income related to COVID-19 mitigation. We understand the urgent need for economic recovery.

We have been working with the Mayor's Budget Office on a preliminary spending plan for the coming months including:

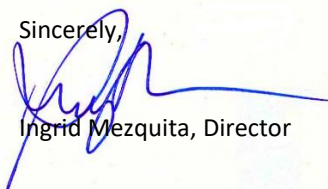
- Early Education Economic Recovery Grant and Loan Program (\$25.0 million)
- Subsidy Outlays to provide additional access to child care (\$10.0 million)
- Workforce Compensation: Supplement the CARES 2.0 Teacher Stipend (\$1.3 million)
- Support for Family Resource Centers (\$1.5 million )
- OECE Staffing and Capacity to be able to support the work of implementing the 5-year spending plan (\$0.5 million)
- Discretionary Funding Rebalancing (\$0.9 million)

The requested \$42.0 million includes \$2.8 million as a contingency to provide the flexibility needed for OECE to be responsive to community need, while we continue to engage our stakeholders to effectively implement the above initiatives.

If you need any additional information to allow for the release of these reserves, please contact Carlo Manaois, Sr. Organization Development and Contract/Budget Policy Analyst at [carlo.manaois@sfgov.org](mailto:carlo.manaois@sfgov.org) and Denise Corvino, Deputy Director at [denise.corvino@sfgov.org](mailto:denise.corvino@sfgov.org).

I thank you in advance for your review and release of this reserve.

Sincerely,



Ingrid Mezquita, Director

<b>Item 1</b> <b>File 20-1361</b>	<b>Department:</b> Human Services Agency
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• File 20-1361 is hearing to consider releasing \$42,000,000 from Budget &amp; Finance Committee Reserve for the Office of Early Care and Education (OECE) FY 2020-21 budget.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• Proposition C (June 2018), the Commercial Rent Tax for Childcare and Early Education, imposed taxes on commercial rents to fund childcare and early education programs. The validity of the tax has been litigated, however the First District Court of Appeals ruled in favor of the City, though that decision could be appealed to the California Supreme Court. Businesses have been required to pay the tax pending the outcome of litigation.</li> <li>• Proposition F (November 2020) created a new general tax, equal to the one imposed by Proposition C (June 2018), which would go into effect if Proposition C (June 2018) were to be overturned by the California Supreme Court. Revenues from the new general tax would be used to pay back businesses that had paid the Commercial Rent Tax for Childcare and Early Education and provide a revenue stream going forward.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• OECE’s spending plan for the requested \$42 million includes Economy Recovery Grants/Loans (\$25 million), Short-Term Childcare Subsidies (\$10 million), Early Care &amp; Education Workforce Stipends (\$1.3 million), Family Resource Center support (\$3.0 million), New OECE staff (\$0.5 million), offset to reduce General Fund support (\$0.9 million), and a contingency amount (\$1.3 million) to support the programs above.</li> <li>• Proposition C (June 2018) funds on Budget &amp; Finance Committee Reserve total \$273 million in FY 2020-21. If the proposed release of reserves is approved, \$241 million would remain on Budget &amp; Finance Committee Reserve in FY 2020-21 and available for future appropriation for authorized uses.</li> <li>• Going forward, the Controller projects that Proposition C (June 2018) collections will be \$196.8 million in FY 2020-21 and \$188.4 million in FY 2021-22 and FY 2022-23.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the release of reserve request.</li> </ul>	

## MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to Budget and Finance Committee approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

## BACKGROUND

### **Proposition C (June 2018)**

The California Constitution requires two-third voter approval for taxes imposed by a local jurisdiction for special purposes. The California Supreme Court in 2017 (*California Cannabis Coalition v. City of Upland*) ruled that the Constitution provision did not apply to citizen initiatives for the holding of special elections but did not specifically address voter approval requirements.

Proposition C, the Commercial Rent Tax for Childcare and Early Education, was a citizen initiative imposing taxes on commercial rents for the purpose of funding childcare and early education programs. The proposition was approved by 50.87 percent of the votes in the June 2018 election.

In June 2019, the San Francisco Superior Court ruled that Proposition C (June 2018) was correctly certified by City officials with 50 percent rather than two-third voter approval.<sup>1</sup> This decision was upheld by the California First District Court of Appeals, which could be appealed to the California Supreme Court.

Businesses have been required to pay the tax pending the outcome of litigation, but tax revenues have been placed on Controller's Reserve. The Budget & Finance Committee placed its own reserve on these funds as well, pending outcome of the litigation and a spending plan from the Office of Early Care and Education regarding the use of the reserved funds.

### **Proposition F (November 2020)**

San Francisco voters approved Proposition F, revising the gross receipts tax structure, in November 2020 with 67.48 percent of the vote. Proposition F also created a new general tax, equal to the Commercial Rent Tax for Childcare and Early Education approved by Proposition C in June 2018, which would go into effect if the original Proposition C were to be overturned on appeal to the California Supreme Court. Revenues from the new general tax would be used to

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<sup>1</sup> The 2019 San Francisco Superior Court ruling also applied to the November 2018 Proposition C, which imposed a gross receipts tax for homeless services. Proposition C was approved with 61.34 percent of the vote. The California First District Court of Appeals upheld the Superior Court ruling in June 2020, and the California Supreme Court subsequently declined to hear the appeal on the November 2018 Proposition C.

pay back businesses that had paid the Commercial Rent Tax for Childcare and Early Education and provide a revenue stream going forward.

### **Judgment Obligation Bonds**

File 20-1333 is a resolution pending before the Board the Supervisors that would authorize the issuance of up to \$955,000,000 in Judgment Obligation Bonds that would pay the costs of a potential adverse judgment associated with litigation the Proposition C (June 2018), such as an adverse ruling from the California Supreme Court. The bond proceeds could be used to reimburse businesses who have paid the tax imposed by Proposition C (June 2018) as well as bond issuance and reserve costs.

### **Office of Early Care and Education Spending Plan**

In December 2020, the Board of Supervisors approved the Early Care and Education for All Initiative's Five-Year Spending Plan, as required by Administrative Code Section 20.17. That plan recommended three priorities if Proposition C (June 2018) funding became available: (1) increasing workforce compensation (2) expanding access to services for low- and moderate-income families and (3) expand services to support the well-being of children under six years old.

## **DETAILS OF PROPOSED LEGISLATION**

File 20-1361 is hearing to consider releasing \$42,000,000 from Budget & Finance Committee Reserve for the Office of Early Care and Education (OECE) FY 2020-21 budget. The programs to be funded are summarized below.

**Economy Recovery Grants/Loans (\$25 million):** to be allocated for the OECE Economic Recovery Program, which would fund \$5,000 - \$50,000 grants (based on facility size) for up to 503 child care sites serving 10,060 children. According to OECE, funding will be provided citywide but prioritized to the Mission, Bayview, Visitacion Valley, the Excelsior, and Oceanview-Merced-Ingleside neighborhoods.

Related legislation, File 20-1327, is an ordinance passed on first reading by the Board of Supervisors on December 8, 2020 that would amend Section 20.17 of the Administrative Code to require OECE establish a grant and loan program to provide child care facilities, day care centers, and licensed child care providers with grants or zero-interest loans to pay for services and operational costs related to COVID-19.

**Short-Term Subsidies (\$10 million):** to be allocated to subsidize childcare for 700 children for eight months (November 2020—June 2021) at existing and new sites, which includes administration costs for the subsidies.

**Early Care & Education Workforce (\$1.3 million):** to be allocated to expand stipends, in the amount of \$6,000 annually, for an additional 220 teachers at child care centers and family child care homes to reach over 2,500 educators.

**Family Resource Center (\$3.0 million):** to be allocated to Family Resource Centers to support operations. As of this writing, the number and locations of the Family Resources to be funded have yet to be determined.

**New Staff (\$0.5 million):** to be allocated to fill existing vacancies and hire temporary staff pending the authorization of new positions, which may include four 1823 Senior Administrative Analysts, one 1824 Principal Administrative Analyst, and one 0923 Manager II. According to OECE, the office currently has three vacancies, one in each of these classifications: 1842, 1822, and 2917. OECE staff are working with HSA Human Resources to finalize appropriate classifications and determine next steps.

**Reduce General Fund Support (\$0.9 million):** to be allocated to back-fill a \$900,000 General Fund add-back authorized by the Board of Supervisors. Part of OECE’s budget rebalancing plan, the General Fund monies will be deleted from the OECE budget to reduce General Fund support of that budget.

**Contingency (\$1.3 million):** OECE requests release of \$1.3 million, or approximately 3.1 percent of the total \$42 million release of reserve request to allow for flexibility as stakeholder needs are further identified through community outreach. According to OECE, possible spending could include additional funding for Family Resource Centers, additional subsidy costs, provide grants for the purchase of personal protective equipment, and/or additional Economic Recovery Loans for early care and education sites.

**FISCAL IMPACT**

Table 1 below shows the budgets for the existing programs at OECE and the proposed augmentation amounts. All spending is planned to occur in FY 2020-21.

**Table 1: Proposed Allocations**

<b>Program</b>	<b>FY 2020-21 Spending Plan</b>	<b>Requested Increase</b>
Economic Recovery Grant/Loan	New Program	\$25,000,000
Short-Term Subsidies (via Voucher Program)	\$30,674,091	10,000,000
ECE Workforce Compensation	15,000,000	1,300,000
Support for Family Resource Centers	450,000	3,000,000
New Permanent Staff	n/a	500,000
Reduce General Fund Support	n/a	900,000
Contingency	n/a	1,300,000
<b>Total</b>	<b>\$46,124,091</b>	<b>\$42,000,000</b>

Source: OECE

As shown above, the release of reserve request totals \$42 million. According to the FY 2020-21 and FY 2021-22 Annual Appropriation Ordinance, Proposition C (June 2018) funds on Budget & Finance Committee Reserve total \$273 million in FY 2020-21 and \$160.1 million in FY 2021-22. If the proposed release of reserves is approved, \$241 million would remain on Budget & Finance

Committee Reserve in FY 2020-21 and available for future appropriation for authorized uses. The Controller projects that Proposition C (June 2018) collections will be \$196.8 million in FY 2020-21 and \$188.4 million in FY 2021-22 and FY 2022-23.

**RECOMMENDATION**

Approve the release of reserve request.



**PRESIDENT NORMAN YEE  
BUDGET CHAIR SANDRA LEE FEWER**

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MEMORANDUM

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DATE: December 10, 2020

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: President Norman Yee and Budget Chair Sandra Lee Fewer

CC: Honorable Members of the Board of Supervisors  
Legislative Aides  
Administrative Aides  
Anne Pearson, Office of the City Attorney  
Ben Rosenfield, City Controller  
Budget & Legislative Analyst's Office  
Mayor's Office  
City Departments

SUBJECT: Special Budget and Finance Committee Meeting – Wednesday, December 16, 2020

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Dear Madam Clerk:

It has come to our attention that there are several time-sensitive budgetary items that need action prior to the new year, including the release of funds from the Budget & Finance Committee reserve.

Pursuant to Administrative Code 2.8, there will be a Special Budget & Finance Committee meeting scheduled on Wednesday, December 16, 2020 at 10:00 A.M. to hear these matters. We appreciate the Budget & Finance Committee Members and Department staff for being available to fulfill this official business.

Below are the items that will be heard at this Special Budget & Finance Committee meeting:

- **201361** – Hearing - Release of Reserved Funds - Office of Early Care and Education - Economic Recovery - \$42,000,000
- **200876** - Home Detention Electronic Monitoring Program Rules and Regulations and Program Administrator's Evidence of Financial Responsibility - FY2020-2021



- **200933** - Contract Amendment - Cross Country Staffing, Inc. - Registry Services - Not to Exceed \$41,200,000
- **201260** - Fee and Tax Relief for Certain Businesses
- **201363** - Hearing - Release of Reserved Funds - Department of Public Health - Implementation of Key Behavioral Health Initiatives - \$30,300,000
- **201378** - Hearing - Release of Reserved Funds - Department of Homelessness and Supportive Housing - Implementation of Homelessness Recovery Plan - \$64,200,000

Thank you,



Supervisor Norman Yee  
President, Board of Supervisors



Supervisor Sandra Lee Fewer  
Chair, Budget and Finance Committee

**From:** [Wong, Linda \(BOS\)](#)  
**To:** [Wong, Linda \(BOS\)](#)  
**Subject:** FW: Economic Recovery for ECE Providers  
**Date:** Friday, December 11, 2020 1:38:45 PM

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-----Original Message-----

From: Mchugh, Eileen (BOS) <eileen.e.mchugh@sfgov.org>  
Sent: Tuesday, December 8, 2020 8:12 AM  
To: Wong, Linda (BOS) <linda.wong@sfgov.org>  
Subject: FW: Economic Recovery for ECE Providers

Is this in your committee?

Thank you!

-----Original Message-----

From: Judith Baker <judith\_baker@att.net>  
Sent: Sunday, December 6, 2020 2:56 PM  
To: BOS-Supervisors <bos-supervisors@sfgov.org>  
Subject: Economic Recovery for ECE Providers

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Members of the Board of Supervisors, This letter is to support the Economic Recovery Grant and Loan program for Early Childhood Education Providers which is being supported by Mayor Breed, President Yee, and Supervisors Ronan, Safai, Mar and Fewer. The program should include those programs that are not part of the OECE system because we are all suffering the effects of the pandemic.

I live in District 5 and work in a California Dept. of Education center in District 8.

I worked for most of my life as Director of Centers in District 6.

In spite of the serious consequences of exposure to covid-19 to staff, many programs reopened early on and some never closed (we reopened in June with very brave dedicated staff returning).

We had to make many costly changes to the structure, program and staffing. We had to install a floor to ceiling divider in order to create two classrooms and then equip both classrooms. Whereas in the past we met required staffing (CDE) of two teaching staff to 16 children, we now have to staff at 3 adults to 13 preschoolers to meet requirements and to have an extra staff available for cleaning and sanitation required on an ongoing basis, to cover for staff who need to stay home with mild symptoms that could possibly be covid related ( to date no one has been exposed in the program due to all our precautions). Extra teachers are needed too to give extra attention to the children and to be good listeners to children who may be going through added emotional stress and trauma at this time. We also need extra staff to meet parents outside in the morning and do temperature checks and a health screening of all children and staff to help children leave when Parents/Guardians arrive outside at departure.

I could go on and on with all the changes to keep everyone safe and the center operating and still paying staff with the low pay that they receive for doing such critical and essential and educational work.

Please help us and other centers and homes keep our doors open so we can aid in San Francisco's recovery, support families, and give children quality care and education during this difficult time.

Thank you for your attention to this matter.

Judith Baker  
1455 Laguna Street #5  
SF 94115

Sent from my iPhone

Judith Baker  
415-518-4052  
judith\_baker@att.net

**From:** [Wong, Linda \(BOS\)](#)  
**To:** [Wong, Linda \(BOS\)](#)  
**Subject:** FW: Early Care and Education Economic Recovery Program  
**Date:** Friday, December 11, 2020 1:38:53 PM

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**From:** Mchugh, Eileen (BOS) <[eileen.e.mchugh@sfgov.org](mailto:eileen.e.mchugh@sfgov.org)>  
**Sent:** Tuesday, December 8, 2020 8:13 AM  
**To:** Wong, Linda (BOS) <[linda.wong@sfgov.org](mailto:linda.wong@sfgov.org)>  
**Subject:** FW: Early Care and Education Economic Recovery Program

**From:** Beverly Melugin <[b.melugin@c5children.org](mailto:b.melugin@c5children.org)>  
**Sent:** Monday, December 7, 2020 11:09 AM  
**To:** BOS-Supervisors <[bos-supervisors@sfgov.org](mailto:bos-supervisors@sfgov.org)>; BOS-Legislative Aides <[bos-legislative\\_aides@sfgov.org](mailto:bos-legislative_aides@sfgov.org)>; Young, Victor (BOS) <[victor.young@sfgov.org](mailto:victor.young@sfgov.org)>  
**Subject:** Early Care and Education Economic Recovery Program

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Board Of Supervisors,

I am writing in support of the Early Care and Education Economic Recovery Program introduced by Mayor Breed, President Yee, and Supervisors Ronen, Safai, Mar, and Fewer.

Early childcare providers are essential to San Francisco's economic recovery; however, we are struggling to survive.

C5 Children's School has been providing high quality early care and education for Infants, Toddlers, and Preschoolers for thirty-five years. At the beginning of the Pandemic in March, we had 147 children enrolled in two facilities. Currently we only have 60 children enrolled and are operating at a substantial loss each month. We were fortunate to have a reserve fund, however, it is fast eroding and by March we will require additional funds to stay afloat.

Please vote in favor of this Program that is so desperately required.

Cordially,  
-- Bev



Beverly A. Melugin

Executive Director

C5 Children's School

455 Golden Gate Avenue

San Francisco, CA 94102

Cell: 925-878-9562