

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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June 26, 2023

TO: Budget and Appropriations Committee

FROM: Budget and Legislative Analyst



SUBJECT: June 28, 2023 Budget and Appropriations Committee Meeting

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Item 1
File 23-0313
(Continued from 6/9/23 meeting)

Department:
 Human Rights Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate \$50 million of General Fund General Reserve for the establishment of the Office of Reparations under the Human Rights Commission.

Key Points

- In 2020, the Board of Supervisors passed an ordinance establishing the San Francisco African American Reparations Advisory Committee (AARAC) to advise the Board, the Mayor, the Human Rights Commission, and the public on the development, adoption, and implementation of a San Francisco Reparations Plan. The AARAC's draft report was published in December 2022 and details an extensive history of racial discrimination in San Francisco against Black residents and businesses. The draft report provides recommended actions related to economic empowerment, education, health, and public policy. The final report is expected to be issued June 30, 2023.
- One of the AARAC recommended actions is to create an Office of Reparations within the City as a measure of community accountability to implement the AARAC recommendations. Other AARAC recommended actions include programming not currently provided by the City.

Fiscal Impact

- Based on our review of the organizational chart of the Human Rights Commission and scope of the AARAC's draft recommendations, we estimate that the Office of Reparations would require three City staff, administrative support, and specialized professional services.
- The two-year cost of the Office would be \$1.6 million, with \$48.4 million of the proposed appropriation remaining for programming, which would be informed by the task force recommendations and Human Rights Commission Director.
- Given the scope of the AARAC draft recommendations, the proposed \$50 million is not sufficient to implement all recommended actions. It would, however, provide an opportunity to pilot new programming.

Recommendation

- We consider approval of the proposed ordinance a policy matter for the Board of Supervisors because it would fund the establishment of a new division of the Human Rights Commission to implement new programming.

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

In 2020, the Board of Supervisors passed an ordinance¹ establishing the San Francisco African American Reparations Advisory Committee (AARAC) to advise the Board, the Mayor, the Human Rights Commission, and the public on the development, adoption, and implementation of a San Francisco Reparations Plan that determines the scope and eligibility of a citywide reparations program, examines structural discrimination, and proposes institutional reforms (File 20-1190).

The first meeting of the AARAC took place on June 1, 2021. The AARAC focused its work on four issue areas including Economic Empowerment, Education, Health, and Policy. Each subcommittee held public meetings with experts and public input to refine recommendations. The AARAC's draft report published in December 2022 and details an extensive history of racial discrimination in San Francisco against Black residents and businesses. The report also outlines recommendations to redress discriminatory government practices that have created generational harm and disparate social outcomes for San Francisco's African American residents. According to the United Nations as quoted in the AARAC draft report, reparations consist of: (1) cessation, assurances and guarantees of non-repetition; (2) restitution and repatriation; (3) compensation; (4) satisfaction; and (5) rehabilitation.

The draft report includes three overall recommended actions, which emerged consistently across the four issue areas, as well as specific objectives and recommendations for each issue area. The final report is expected to be issued June 30, 2023.

As shown in Exhibit 1 below, one of the overall recommendations is to create an Office of Reparations within the City as a measure of community accountability to implement the AARAC recommendations.

¹ File 20-1190 was approved December 18, 2020. The ordinance requires the AARAC to submit to the Board of Supervisors a draft San Francisco Reparations Plan. The Board may act by resolution to accept, reject, or modify the draft plan. The AARAC must submit a final plan incorporating feedback received from the Board, the Mayor, the Human Rights Commission, and the public in response to the draft plan.

<https://sfgov.legistar.com/View.ashx?M=F&ID=9024111&GUID=62CFC079-20DA-41C4-B048-C07BF494E6CC>

Exhibit 1: AARAC Draft Overall Recommendations

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- 1 The City and County of San Francisco and its agencies should issue a formal apology for past harms, and commit to making substantial ongoing, systemic, and programmatic investments in Black communities to address historical harms

 - 2 Establish an independent Office of Reparations within the City to execute the reparations plan. This agency must be charged with tracking and ensuring the continued success of programs that come out of these recommendations

 - 3 Create and fund a committee of community stakeholders - such as a Reparations Stakeholder Authority or similar - to ensure equity and continuity in the implementation of relevant policy initiatives, independent of the City and County of San Francisco

Source: Draft AARAC Report, December 2022

Objectives and recommendations for each of the four issue areas from the draft report are provided in Attachment 1, which was prepared by the AARAC. The AARAC recommended actions include programming not currently provided by any City program.

California Task Force

The issue of reparations is also being explored statewide. California Assembly Bill 3121 enacted in 2020 established a state Task Force to study and develop reparations proposals for Black Americans. An interim report was issued in 2022 and a final report is expected to be issued before July 1, 2023.² Preliminary recommendations address issues of housing segregation, unequal education, political disenfranchisement, environmental injustice, employment, legal system, health, and the wealth gap, among others.³

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$50 million of General Fund General Reserve for the establishment of the Office of Reparations under the Human Rights Commission.

Office of Reparations

The purpose of the Office of Reparations would be to implement recommendations made by the San Francisco African American Reparations Advisory Committee (AARAC) in their draft report.

Initial duties of the Office could include developing legislative and policy proposals for the Mayor and the Board of Supervisors, developing programming and investment criteria, and ongoing community outreach. The Office would also need legal advice on how to implement new reparations programming.

² Source: California Department of Justice, <https://oag.ca.gov/ab3121>

³ <https://oag.ca.gov/system/files/media/ab3121-interim-report-preliminary-recommendations-2022.pdf>

FISCAL IMPACT

Based on our review of the organizational chart of the Human Rights Commission and scope of the AARAC's draft recommendations, we estimate that the City staff necessary for the creation of the Office of Reparations would include one manager (1824 Principal Administrative Analyst), one policy analyst (1823 Senior Administrative Analyst), and one community staff person (9774 Senior Community Development Specialist I). Final decisions regarding staffing would be subject to the Board of Supervisors' approval. In addition, we estimate approximately \$200,000 per year in costs for professional services (such as legal, actuarial, or other specialized research), pro-rated at 50 percent in year one of the Office, as well as funding for administrative support for the office, based on 15 percent of City staff costs.

As shown below in Exhibit 2, we estimate two-year costs to be \$1.6 million, with \$48.4 million of the proposed appropriation remaining for programming, which would be informed by the task force recommendations and Human Rights Commission Director.

Exhibit 2: Estimated Two-Year Cost for the Office of Reparations

Job Classification	Duties	FY 2023-24 FTE	FY 2023-24 Cost	FY 2024-25 FTE	FY 2024-25 Cost	Two-Year Total Amount
1824 Principal Administrative Analyst	Oversight of the office and legislation development	0.79	\$171,989	1.00	\$223,459	\$395,448
1823 Senior Administrative Analyst	Developing programming and investment criteria	0.79	\$150,390	1.00	\$195,563	\$345,953
9774 Senior Community Development Specialist I	Community outreach and educating the public	0.79	\$142,510	1.00	\$185,242	\$327,752
Subtotal, City Staff		2.37	\$464,889	3.00	\$604,264	\$1,069,153
	Administrative Support (15%)		\$92,978		\$120,853	\$213,831
	Professional Services		\$100,000		\$200,000	\$300,000
Total			\$657,867		\$925,117	\$1,582,984

Source: BLA Analysis

Notes: Positions costs include salary and fringe benefits at the top step of the classification. Actual staff costs may be lower due to delays in hiring and/or positions filled at lower steps of the salary range.

Given the scope of the AARAC draft recommendations, the proposed \$50 million is not sufficient to implement all recommended actions. It would, however, provide an opportunity to pilot new programming.

General Reserve

Administrative Code Section 10.60 requires the City to budget a General Reserve of at least 3.0 percent of General Fund revenues to address revenue weakness, excess spending, or other needs not anticipated during the annual budget process. The balance requirement is reduced to 1.5 percent of General Fund revenues if the City withdraws from the Rainy Day Reserve and then increases 0.25 percent per year until the 3.0 percent balance requirement is fully restored. The General Reserve balance is required to be 1.75 percent of budgeted regular General Fund revenues in FY 2022-23 and 2.00 percent of budgeted General Fund Revenues in FY 2023-24.

According to the Controller's Office FY 2022-23 Nine-Month Budget Status Report, the FY 2021-22 ending balance of the General Reserve was \$43.8 million, and the FY 2022-23 approved budget includes a \$64.4 million deposit. In the current year, the Mayor and the Board of Supervisors have appropriated \$50.4 million of the General Reserve for Police overtime and street cleaning, resulting in a projected year-end balance of \$57.8 million. In FY 2023-24, the required deposit is projected to be \$70.8 million, resulting in a \$128.6 million balance at the end of FY 2023-24.

If the Board of Supervisors approves the appropriation from the General Reserve to establish the Office of Reparations and implement the AARAC's recommendations, the General Reserve balance would be reduced by \$50.0 million to \$7.8 million at the end of FY 2022-23. Any uses of the reserve during the current year (FY 2022-23) will increase the required deposit in the budget year (FY 2023-24) by a like amount.

RECOMMENDATION

We consider approval of the proposed ordinance a policy matter for the Board of Supervisors because it would fund the establishment of a new division of the Human Rights Commission to implement new programming.