

1 [Business and Tax Regulations Code - Early Care and Education Commercial Rents Tax
2 Baseline - FYs 2024-2025 ~~through 2027-2028~~ and 2025-2026]

3 **Ordinance modifying the baseline funding requirements for early care and education**
4 **programs in Fiscal Years (FYs) 2024-2025 and through 2027-2028 2025-2026, to enable**
5 **the City to use the interest earned from the Early Care and Education Commercial**
6 **Rents Tax for those baseline programs.**

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

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

16 Section 1. Findings.

17 In June 2018, the voters approved Proposition C, which imposed a new tax on the
18 gross receipts from the lease of commercial space in properties in the City (the “Tax”). The
19 ballot measure required the City to spend 85% of the revenues from the Tax to fund quality
20 early care and education for young children. At the time, the City already provided significant
21 funding (the “Base Amount”) to early care and education programs (“Baseline Programs”)
22 though there was a growing unmet need. The ballot measure directs the remaining 15% of
23 revenues to the General Fund to support other discretionary funding priorities.

24 Proposition C added to that existing funding for Baseline Programs, and provided that
25 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

1 (subject to some adjustments by the City Controller). The intent of Proposition C was to
2 ensure dedicated revenues to increase funding for quality early care and education for San
3 Francisco children under the age of six, without those revenues supplanting existing funding.

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

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

22 The City is facing a projected \$800 million deficit over the next two years while many of
23 the essential programs that support our communities have been cut due to reductions in
24 Federal and State emergency funding. This Ordinance would allow the City to use interest
25 earned in the Babies and Families First Fund to fund Baseline Programs previously funded

1 from the General Fund. Doing so will further the purposes of Proposition C, as it will enable
2 the City to redirect those General Fund monies that would have funded Baseline Programs
3 toward other essential services for children and families, such as educational programs for
4 children, family support services, and food access programs. This Ordinance is an
5 extraordinary step to balance the budget without any long-term solutions for ongoing funding
6 and should not be relied upon in future years. To that end, this Ordinance temporarily
7 modifies the baseline requirements in Business and Tax Regulations Code Section 2112(f)
8 and (g) for Fiscal Years 2024-2025 ~~through 2027-2028~~ and 2025-2026 to credit against the
9 Base Amount interest earned in the Babies and Families First Fund.

10 In July 2023, the City enacted Ordinance No. 176-23, which temporarily modified the
11 baseline requirements for Fiscal Years 2023-2024 and 2024-2025 to credit against the Base
12 Amount interest earned in the Babies and Families First Fund. The Board intended that
13 ordinance to be a one-time solution. This Ordinance supersedes Ordinance No. 176-23 as to
14 the requirements for Fiscal Year 2024-2025, and also extends the modification for ~~three~~ one
15 additional fiscal years.

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17 Section 2. Modification of Baseline Provisions in Proposition C.

18 Pursuant to Business and Tax Regulations Code Section 2113, the Board of
19 Supervisors temporarily modifies Article 21 of the Business and Tax Regulations Code to: ~~(a)~~
20 ~~€~~credit against the Base Amount, as that term is defined in Section 2103, interest earned in
21 the Babies and Families First Fund in Fiscal Years 2024-2025 and 2025-2026 ~~through 2027-~~
22 ~~2028 and prior Fiscal Years~~ in the following amounts: for Fiscal Year 2024-2025, up to
23 \$16,600,000; ~~or a higher amount determined in the March 1 financial update prepared by the~~
24 ~~Mayor, Budget Analyst, and Controller under Administrative Code Section 3.6(b) (the “March~~
25 ~~1 Update”)~~ in 2025; and for Fiscal Year 2025-2026, up to \$16,900,000, ~~or a higher amount~~

1 determined in the March 1 Update in 2026; and for Fiscal Years 2026-2027 and 2027-2028,
2 up to the amount of interest estimated in the March 1 Update for 2027 and 2028, respectively.
3 These credits shall not be applied against the Base Amount in any Fiscal Year where the cash
4 balance in the Babies and Families First Fund as of July 1 of that Fiscal Year is less than
5 \$100 \$300 million.; and

6 (b) ~~In Fiscal Years 2025-2026 through 2027-2028, not increase the Base Amount, as~~
7 ~~that term is defined in Section 2103, as required in Section 2112(g) despite any increase in~~
8 ~~aggregate City discretionary revenues in those fiscal years, unless the City's projected budget~~
9 ~~deficit for that year at the time of the Joint Report or Update to the Five Year Financial Plan in~~
10 ~~March of the year is less than the amount referenced in Section 2112(h) after annual~~
11 ~~adjustments.~~

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13 Section 3. Direction to the Clerk of the Board of Supervisors. Upon enactment of this
14 ordinance, the Clerk of the Board of Supervisors shall place a copy of this ordinance in File
15 Number 230661, and shall note on the Board's website referencing the passage of Ordinance
16 No. 176-23 and that this ordinance supersedes Ordinance No. 176-23.

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18 Section 43. Effective Date. This ordinance shall become effective 30 days after
19 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
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