DEC Joint Budget Meeting
Early Childhood Children’s Oversight & Advisory Committee jointly with Children and Families Commission

Wednesday, February 1, 2023
AGENDA

1) Call to order
2) Roll call for the Children and Families Commission (CFC)
3) Roll call for Early Childhood Community Oversight and Advisory Committee (COAC)
4) Approval of Resolution Making Findings to Allow Teleconferenced Meetings for San Francisco Children and Families Commission under California Government Code Section 54953(e) until the next 30-day review, having considered the circumstances of the state of emergency and that local officials continue to impose or recommend measures to promote social distancing. (action item)
5) General public comment
6) Approval of the Consent Calendar (CFC only)
7) Discussion and possible action to approve a professional service contract for Optimas Services (CFC only)
8) Department of Early Childhood draft spending plan for fiscal year 2023-24 and 2024-25 (discussion only)
9) Children and Families Commissioner updates
10) Early Childhood Community Oversight and Advisory Committee updates
11) Executive Director updates
12) Adjourn
Agenda Item 3: Approval of Resolution Making Findings to Allow Teleconferenced Meetings for San Francisco Children and Families Commission under California Government Code Section 54953(e) until next 30-day review, having considered the circumstances of the state of emergency and that local officials continue to impose or recommend measures to promote social distancing

The Governor recently signed into law AB 361, which requires boards, commissions, and advisory bodies to make specific findings at least once every 30 days in order to continue holding remote meetings, which is otherwise restricted by the Brown Act. Separate from the new State law, the Mayor’s March 2020 order prohibited San Francisco boards and commissions from meeting in person under emergency Stay at Home Orders; this order is still in effect.
DEC Spending Plan

A. Highlights from Fiscal Year 2023
B. Role of the DEC Joint Budget Meeting
C. San Francisco Fiscal Outlook
D. Proposed FY2023-24 and 2024-25 DEC Spending Plan
FY23 – A Landmark Year for Kids

San Francisco Department of Early Childhood

- Established the Department of Early Childhood, combining the Office of Early Care and Education and First 5 San Francisco
- Completed the new Department’s first Strategic Plan
- Conducted Kindergarten readiness survey with SFUSD

$252m Baby C

- Programmed $252.3 Million in Baby Prop C
- Increased Early Learning Subsidies and raised eligibility from 85% SMI to 110% AMI (~152k for family of 4)
- Committed $60M to expand ECE facilities

2,545 Educators

- Launched workforce compensation initiative providing salary increases for 1,197 educators and stipends to 1,348 teachers.
- Committed to provide 30% of the wages available to teachers at the sites educating SF’s most vulnerable

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1 Committed $26 Million in reserve and/or carryforward funding to expand programming
2 Increased ELS program enrollment by 34% year over year, as of December 2022
Current enrollment is **8,000 children**, 85% are preschool-aged with families earning below 100% of the State Median Income.

Expanded eligibility for early care and education subsidy support from **100% SMI to 110% AMI**.

**34% year over year increase** in the children’s and families served through Early Learning Subsidies (ELS - FY23 YTD).

1) 6,000 enrolled in ELS high-quality early care and education with an additional 2,300 receiving subsidized enrollment funding through Calworks/AP
DEC FY23 Capacity Expansion

+5 ECE new centers built\(^1\)

+219 city funded slots

\(^1\) Building funded by DEC Capital
In FY23, DEC Committed to Fair Compensation for Early Educators

1 Green tier sites serve our most vulnerable kids; At the 37 green tier sites, at least 50% enrolled are vulnerable population

**Early Educators guaranteed living wage or SFUSD parity**
Committed $26M-42M per year in Direct salary support to educators per year, over 5 years (Green Tier Sites^1). 

**Teachers who received CARES 3.0 Stipends**
Committed $16M-20M per year. Individual stipend amount is based on educator’s level of education and the site’s share of vulnerable students served.

**Workforce Compensation Initiative Annual Budget**
Committed to spend $59-79M per year ($71M avg) in prop C operating revenue for direct workforce support (does not include use of reserve funds for professional development)

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^1 Green tier sites serve our most vulnerable kids; At the 37 green tier sites, at least 50% enrolled are vulnerable population
High Impact in First Year

I just received my stipend. THANK YOU so much because I was so stressed that I don’t get paid for Thanksgivings break and winter break. This fund will help me a lot for my late bills. – SFUSD Paraprofessional

We finally have applicants for our openings! – Title V Program Administrator

Our Site Supervisors want to get back on the floor and teach – Title V Program Admin.

“Thank you so much for the CARES stipend. It has been a lifesaver for me and my family during these difficult times. The extra funds have allowed us to pay some bills and buy groceries without worrying about our financial situation. We are grateful for your support and for all that you do for the ECE community.”

-- FCC Educator

“Our teachers are reporting they can finally consider moving closer to San Francisco and saying they can actually make teaching a career choice.” – Title V Administrator
Thank you and the entire DEC team for the final version of the workforce compensation plan presented last week…we very much appreciate your team's willingness to work with the Title 5 contractors to ensure we have an effective rollout plan that addresses the intent of the initiative. -- Title V Administrator
Data and Evaluation established a strong foundation in FY23

✓ DEC data and evaluation team is overseeing evaluation efforts.
✓ Collaborated with SFUSD to evaluate school readiness and school progress:
  • Conducted kindergarten readiness survey (parent); results will be analyzed in relationship to children’s Kindergarten Readiness Inventory (KRI) outcomes for the first time since the KRI launched in 2017
  • Launched longitudinal study examining the relationship between KRI outcomes (students assessed in 2009) with subsequent student school performance through high school graduation
✓ Began development of DEC evaluation plan aligned to the new strategic plan (centering racial equity & parent voices in experiences/outcomes).
## Expanded Family Resources

### Maintained Key Initiatives:
- Maintained network of 26 FRCs to provide culturally responsive parenting supports, basic needs supports and/or referrals and support the school readiness and success of young children
- $4.6M to support FRCs to provide basic needs, e.g., Food/Diaper Pantry, Mental Health and Emergency response - $4.6 million.

### Invested to innovate services:
- Issued grants to raise awareness and obtain insights on how FRCs can increase responsiveness to needs of Black families
- Implemented activities to engage families, children and preschool teachers for Week of the Young Child – April 2023.
- Will begin to draw down County Medi-Cal Administrative Activity Matching funds (CMAA).
- Directly engaged families to provide input to design of FRC initiative for new funding cycle.
- Participate in Human Services Planning Activities in preparation for Families First Prevention Services Act.
Child Wellbeing – First step to universal screening

- Allows families to have a digital record of their child’s screening results, creates a repository of population-level screening results
- Can be used (with family permission) to coordinate care among providers, plan early intervention services, support system planning for ECE teacher/coach/early interventionist professional development based on high frequency screening findings.

3,029 San Francisco children received developmental screening citywide
- 39 programs (a mix of FRCs, CCC, FCC, and a health clinic) rolled out digital developmental screening systems using Sparkler at their programs
- 797 children have been screened on Sparkler and were active in using the learning activities in their preferred home language
- Over 700 families are currently engaging and using the Sparkler app

Inclusion
- The Sparkler app, ASQ screening tools, and thousands of learning activities (play cards) were fully translated into Spanish and Chinese to include our multicultural community members and service providers
DEC Spending Plan

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B DEC Funding Sources

- Special Funds, Continuing Funds, and legislated requirements.
  - Proposition C or Babies and Families First Fund (Baby Prop C)
  - Proposition 10 or San Francisco Children and Families First Fund (Tobacco Tax)
  - Public Enrichment and Education Fund (PEEF)
- San Francisco General Fund: Annual Funds
- State/Federal Grants: Annual Funds, very limited control
- Interdepartmental Services: Agreements established.

Prop 10 annual spending plan to be approved by CFC

DEC annual spending plan approved by SF BOS with recommendations from EC COAC
Role of EC COAC in Budget Planning

The DEC’s enacting ordinance (FILE NO. 220808) requires:

- Review and advise the Department regarding its… funding allocations,… processes for making funding decisions,… and any changes in expenditure plans during the fiscal year but shall not have any approval authority over these matters [5.13-5(d)].

- The EC COAC shall **promote transparency** for the Department’s budget… (in particular Prop C) by holding a **joint annual public hearing** with the First Five Commission regarding the Department’s budget no later than February 14 of each year [5.13-5(e)].
Proposition C (Baby Prop C) is a Commercial Rent Tax approved in 2018 for Child Care and Early Education; it authorizes an additional tax on commercial property / leases with annual gross receipts over $1 million. Baby Prop C is the primary source of funding for DEC and is administered by DEC with recommendations by COAC. It is a continuing fund that funds the Early Care and Education for All Initiative. The Baby Prop C ordinance provides guidance for allowable uses based on the ballot/legislation.
• Under the California Children and Families Act of 1998, the Proposition 10 moneys allocated and appropriated to county commissions shall be deposited in each local Children and Families Trust Fund administered by each county commission and shall be expended only for the purposes authorized by this act and in accordance with the county strategic plan approved by each county commission. **CFC must approve the Prop 10 annual expenditure plan.**

• All grants, gifts, or bequests of money made to or for the benefit of any county commission from public or private sources to be used for early childhood development programs shall be deposited in the local Children and Families Trust Fund and expended for the specific purpose for which the grant, gift, or bequest was made.

• The EC COAC shall **promote transparency** for the Department’s budget… (in particular Prop C) by holding a **joint annual public hearing** with the First Five Commission regarding the Department’s budget no later than February 14 of each year [5.13-5(e)].
The California Children & Families First Act, approved by voters in 1998, established First 5 to oversee the expenditure of tobacco tax revenues to support, promote, and optimize early childhood development through coordinated programs that emphasize child health, parent education, childcare, and other services and programs for children prenatal through age 5. The Act, Proposition 10, created the Children and Families First Fund (aka Prop 10). Administration of funds is overseen by First 5 Commission. 80% of state funds are allocated and appropriated to County Commissions. Prop 10 is a continuing fund.
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Mayoral priorities remain unchanged: economic recovery, clean and safe streets, homelessness and mental health, accountability and equity in services and spending.

Slow-growth revenue outlook with escalating costs drive the deficit forecast, but does *not* assume a recession; Budget reductions necessary to help address shortfall and departments should prepare for outlook to worsen.

Reduction in local tax revenues and retirement funding necessitate general fund cuts for all departments by 5% and 8% in FY24 and FY25, respectively.

DEC’s primary revenue source, Baby prop C, under pressure from sluggish returns to the office, with a bearish outlook for commercial rents in FY24 and FY25.
Fiscal Outlook – Risks & Uncertainties

- Slow pace of downtown recovery and high rate of office vacancies
- Continued cutbacks in tech sector and other local industries (employment reduction)
- State budget cuts and funding of excess ERAF
- Impact of high inflation and interest rates
- Ongoing risk of a recession
Fiscal Outlook for San Francisco

Financial forecast projects a $728 million deficit over the upcoming two budget years.
Unemployment near record low...
However, office attendance continues to lag other metros...
Office vacancies continue to rise, while commercial rents fall
The CA Dept of Finance has projected a year-over-year decline for Prop 10 (Tobacco Tax revenues):
- Approximately 4% decline without the Flavor ban
- Approximately 5% decline with the Flavor ban (2022 Prop 31)

MBO requires 5% (one-time) and 8% (ongoing) cut to general fund expenditure in FY24 and FY25, respectively. For DEC this means:
- $1.35M reduction in FY24
- $2.16M reduction in FY25 and ongoing

Baby Prop C revenues face downward pressure in coming years; potential stress on overall DEC budget as commercial rents are a lagging indicator of business downturn

Hold share of Baby Prop C reserves to ensure program/salary stability in the event of a recession
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FY24 - From Access to Excellence

- Accelerate hiring of DEC department staff (onboarded an HR analyst and a payroll clerk!)
- Uplift access to and utilization of services by improving the end-to-end experience using a racial equity lens.
- Expand Workforce Compensation initiative to include working conditions and professional development (pipeline, pathways, and cohorts, etc.)
- Launch new funding cycle for FRCs that is equity-centered and focused on DEC strategic priorities, including racial equity.
- Increase use of the Sparkler App with the goal of universal screening practices and equitable access to referred services.
- Track DEC’s progress on meeting its strategic priorities through the public procurement process that ensures improved representation of Black, Latino, Indigenous, and Pacific Islander experiences and voices.
DEC Funding Priorities

- **Early Learning Subsidies/Enrollment** – Maintain access to free/affordable childcare and education in San Francisco
- **Workforce Compensation** – Compensation enhancement, professional development, and improved working conditions for ECE teachers
- **Infrastructure** – Funding new ECE sites/capacity
- **Family Support** – Parent education and support
- **Child Wellbeing** – Universal screening and child health/wellness
- **Quality & Program Capacity Supports** – Upskilling and expanding program capacity
- **Data and Evaluation** – Initiative tracking and impact evaluation
- **Administration** – Filling vacancies to administer funding; childcare site management* (new); Proposition C 15% Baseline to GF; other city-provided administrative services

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Racial Equity – Ensuring race is not a predictor of outcomes
*Transition of Three Childcare Sites*

- Three locations owned by San Francisco
  - 1 Cashmere Street
  - 200 Cashmere Street
  - 100 Whitney Young Circle
- Currently leased to and managed by HSA
- Transition to DEC to include transfer of related budget from HSA to DEC
- $465k interdepartmental services
Proposed DEC DRAFT Budget

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>CHILDREN &amp; FAMILIES COMMISSION</th>
<th>EARLY CARE &amp; EDUCATION</th>
<th>DEC TOTAL</th>
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<tbody>
<tr>
<td></td>
<td>FY24</td>
<td>FY25</td>
<td>FY24</td>
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<tr>
<td>Interest &amp; Investments</td>
<td>112,000</td>
<td>112,000</td>
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<td>Federal grants (pass through the state)</td>
<td>0</td>
<td>0</td>
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<td>State grants</td>
<td>0</td>
<td>0</td>
<td>11,989,215</td>
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<td>State Prop 10 (Tobacco Tax)</td>
<td>11,266,686</td>
<td>11,335,996</td>
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<td>Medi-Cal (County Medi-Cal Admin Activities)</td>
<td>2,000,000</td>
<td>2,000,000</td>
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<td>Work order recoveries/General Fund</td>
<td>11,561,978</td>
<td>11,561,978</td>
<td>32,590,194</td>
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<td>Local Baby Prop C</td>
<td>0</td>
<td>0</td>
<td>301,803,949</td>
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<td>Local Public Education Enrichment Fund (PEEF)</td>
<td>0</td>
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<td>Local Childcare Capital/Facilities Funds</td>
<td>0</td>
<td>0</td>
<td>6,750,822</td>
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<td><strong>REVENUES TOTAL:</strong></td>
<td>24,940,664</td>
<td>25,009,974</td>
<td>400,194,387</td>
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Updates since our last meeting: Migrated ECE state and federal grant programs and corresponding revenues from CFC to ECE division
Proposed DEC DRAFT Budget

<table>
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<tr>
<th>EXPENDITURES</th>
<th>CHILDREN &amp; FAMILIES COMMISSION</th>
<th>EARLY CARE &amp; EDUCATION</th>
<th>DEC TOTAL</th>
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<tr>
<td></td>
<td>FY24</td>
<td>FY25</td>
<td>FY24</td>
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<td>Salaries</td>
<td>1,965,175</td>
<td>2,041,156</td>
<td>7,088,487</td>
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<td>Fringe Benefits</td>
<td>782,630</td>
<td>783,695</td>
<td>2,691,167</td>
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<td>Non-Personnel Services</td>
<td>802,724</td>
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<td>2,783,614</td>
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<td>City Grant Programs</td>
<td>20,849,845</td>
<td>20,842,109</td>
<td>352,913,504</td>
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<td>Materials &amp; Supplies</td>
<td>37,550</td>
<td>37,550</td>
<td>335,660</td>
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<td>Capital Projects</td>
<td>0</td>
<td>0</td>
<td>1,750,822</td>
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<td>Services of Other Departments</td>
<td>502,740</td>
<td>502,740</td>
<td>6,216,133</td>
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<td>City Operations/Administration (Baby Prop C)</td>
<td>0</td>
<td>0</td>
<td>26,415,000</td>
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<td>EXPENDITURES TOTAL:</td>
<td>24,940,664</td>
<td>25,009,974</td>
<td>400,194,387</td>
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</table>

Updates since our last meeting: Migrated ECE state and federal grant programs and corresponding expenses from CFC to ECE division
Workforce – Recruit/retain educators through increased compensation and professional development/educational pathways.

Access – Expand Access to high-quality, free/affordable early care and education, with greater support for low to moderate income families.

Capacity – Finance infrastructure/build and sustain the slots needed in access.

Wellbeing – Undertaking other measures designed to improve access to quality early care and education services that support the physical, emotional, and cognitive development of San Francisco children under the age of six.

DEC Special Funds – Proposition C
Baby C Annual Projections

<table>
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<tr>
<th>($Millions)</th>
<th>FY23 Bud.</th>
<th>FY24 Bud.</th>
<th>FY25 Bud.</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
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<tbody>
<tr>
<td>Baby Prop C Revenue</td>
<td>226.0</td>
<td>173.0</td>
<td>194.1</td>
<td>205.6</td>
<td>218.9</td>
<td>231.9</td>
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<td>(Less) 15% GF Baseline</td>
<td>33.9</td>
<td>26.0</td>
<td>29.1</td>
<td>30.8</td>
<td>32.8</td>
<td>34.8</td>
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<td>Available for DEC Program</td>
<td>192.1</td>
<td>147.1</td>
<td>165.0</td>
<td>174.8</td>
<td>186.1</td>
<td>197.1</td>
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FY23 Expected Revenues $181.7M; difference to be covered with Baby C Controller's Reserves
DRAFT Budget – Use of Reserves for One-Time-Only Projects in FY24-25

- $30M Teacher Pathways*
- $70M Capacity Expansion*
- $60M Salary Reserve

*Details follow
DRAFT Budget – Use of Reserves for One-Time-Only Projects in FY24-25

- **$40M – Capacity Expansion** - Increase infant/ toddler spaces; repair and renovation for high quality indoor and outdoor environments

- **$30M – Capacity Expansion** - PreK classroom conversion to infants/toddler spaces (including planning grants, I/T coursework, and incentives for teacher recruitment)

- **$30M – Workforce Development** - Teacher pipeline, scholarships & stipends, AA/BA cohorts, and Teacher residencies and recruitment incentives (with priority on increasing Black/African American Educators)
## Budget Timeline

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<tr>
<th>Date</th>
<th>Event Description</th>
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<tr>
<td>January 18</td>
<td>First 5 Commission Fiscal Committee – Public budget meeting #1</td>
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<tr>
<td>February 1</td>
<td>First 5 Commission/DEC COAC – Public budget meeting #2</td>
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<tr>
<td>February 15</td>
<td>Childcare Planning &amp; Advisory Committee</td>
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<tr>
<td>February 21</td>
<td>Department budget submission due</td>
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<tr>
<td>June 1</td>
<td>Mayor proposes balanced budget to Board of Supervisors</td>
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<tr>
<td>June TBD</td>
<td>Budget and Appropriations Committee hearings</td>
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<tr>
<td>July</td>
<td>Budget considered by Board of Supervisors (adopted by July 28, 2023)</td>
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