

DEC Joint Budget Meeting

Early Childhood Children's Oversight &
Advisory Committee jointly with Children
and Families Commission

Wednesday, February 1, 2023



San Francisco Department of
Early Childhood

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 Budget Presentation

Joint Meeting of EC COAC and CFC:
February 1, 2023



San Francisco Department of
Early Childhood





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

A FY23 – A Landmark Year for Kids



- 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 C¹
- Increased Early Learning Subsidies and raised eligibility from 85% SMI to 110% AMI (~152k for family of 4)²
- 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

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

A Preschool Subsidy Waitlist¹ Eliminated

- Current enrollment is **8,000¹ 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).²

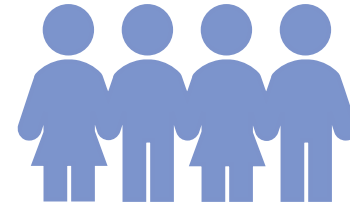
1) 6,000 enrolled in ELS high-quality early care and education with an additional 2,300 receiving subsidized enrollment funding through Calworks/AP



A DEC FY23 Capacity Expansion



**+5 ECE new
centers built¹**



**+219 city
funded slots**

1 Building funded by DEC Capital

A

In FY23, DEC Committed to Fair Compensation for Early Educators



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 Sites¹).



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)

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



A 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*



A Truly a Team Effort

 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

A

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).

A 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.

A

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

- 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



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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



B

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)].

B DEC Special Funds – Proposition C

~\$180m

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.

B Role of CFC in DEC Budget Planning

- 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)].

B DEC Special Funds – Proposition 10

~\$5m

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 Commissions¹. Prop 10 is a continuing fund.

¹ In accordance with CA Health & Safety Code Section 130140



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C Fiscal Outlook - Summary

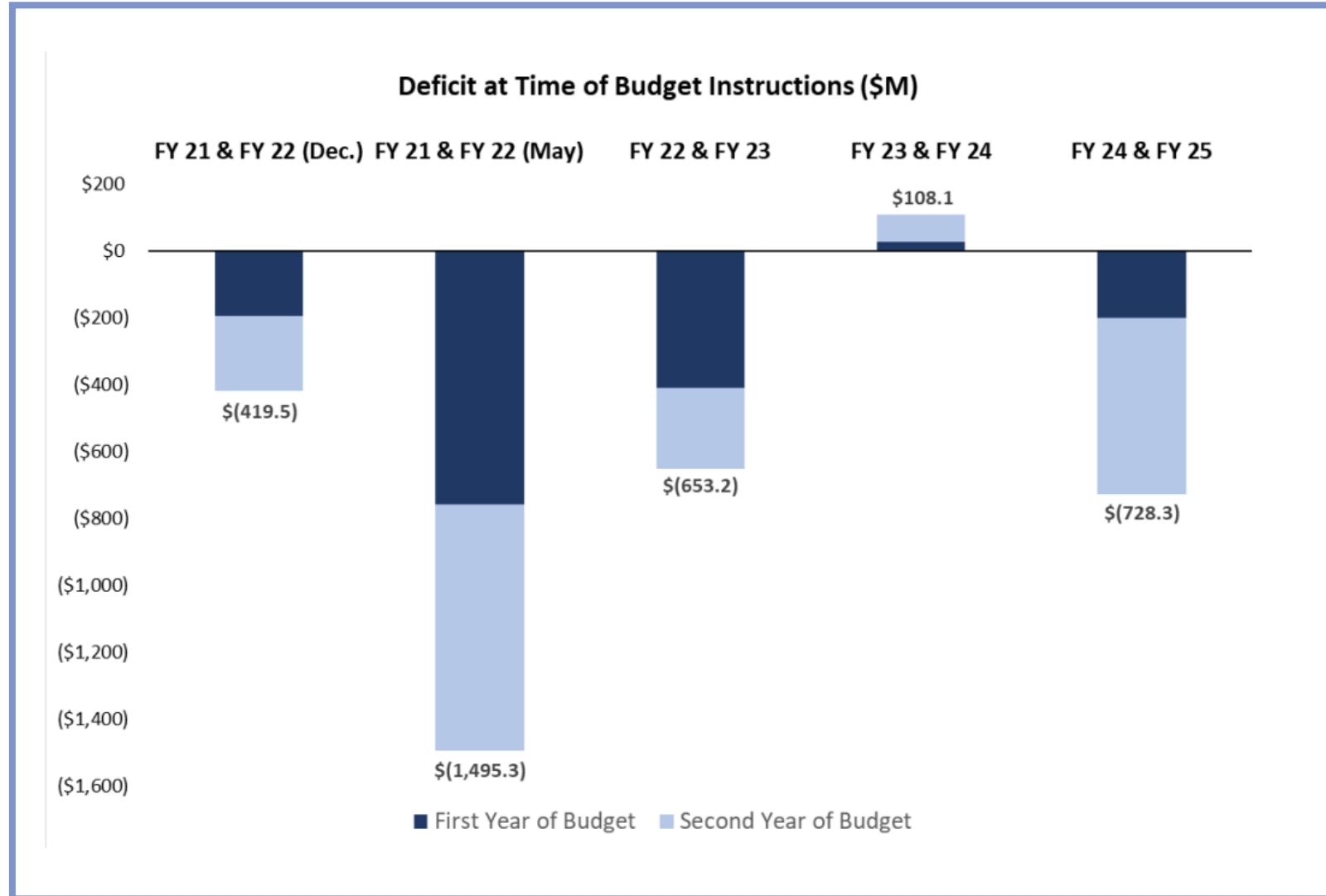
- Mayoral priorities remain unchanged: economic recovery, clean and safe streets, homelessness and mental health, accountability and equity in services and spending
- Slow-growth revenue outlook with escalating costs drive the deficit forecast, but does *not* assume a recession; Budget reductions necessary 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.

C Fiscal Outlook – Risks & Uncertainties

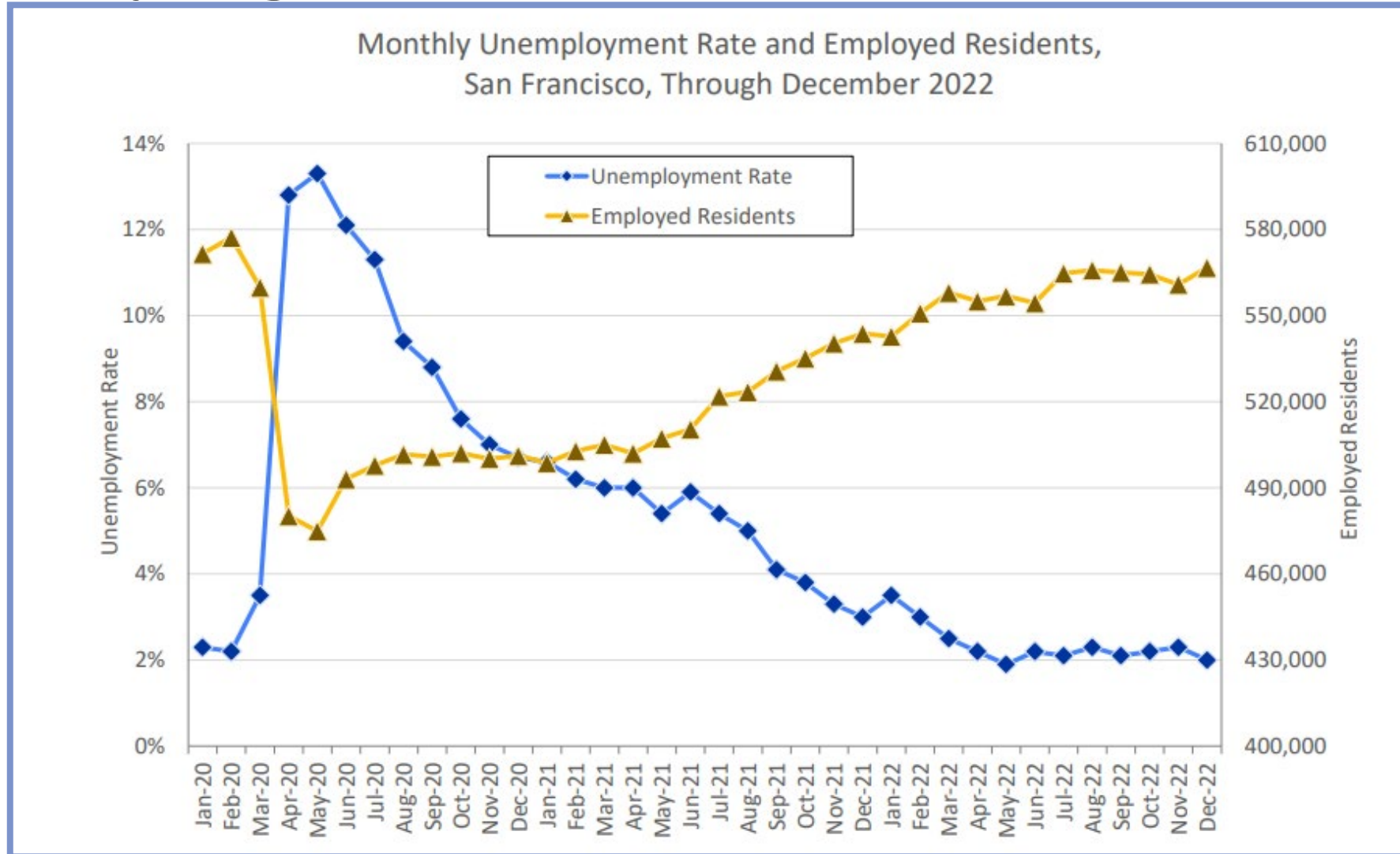
- Slow pace of downtown recovery and high rate of office vacancies
- Continued cutbacks in tech sector and other local industries (employment reduction)
- State budget cuts and funding of excess ERAF
- Impact of high inflation and interest rates
- Ongoing risk of a recession

C Fiscal Outlook for San Francisco

Financial forecast projects a \$728 million deficit over the upcoming two budget years



C Unemployment near record low...

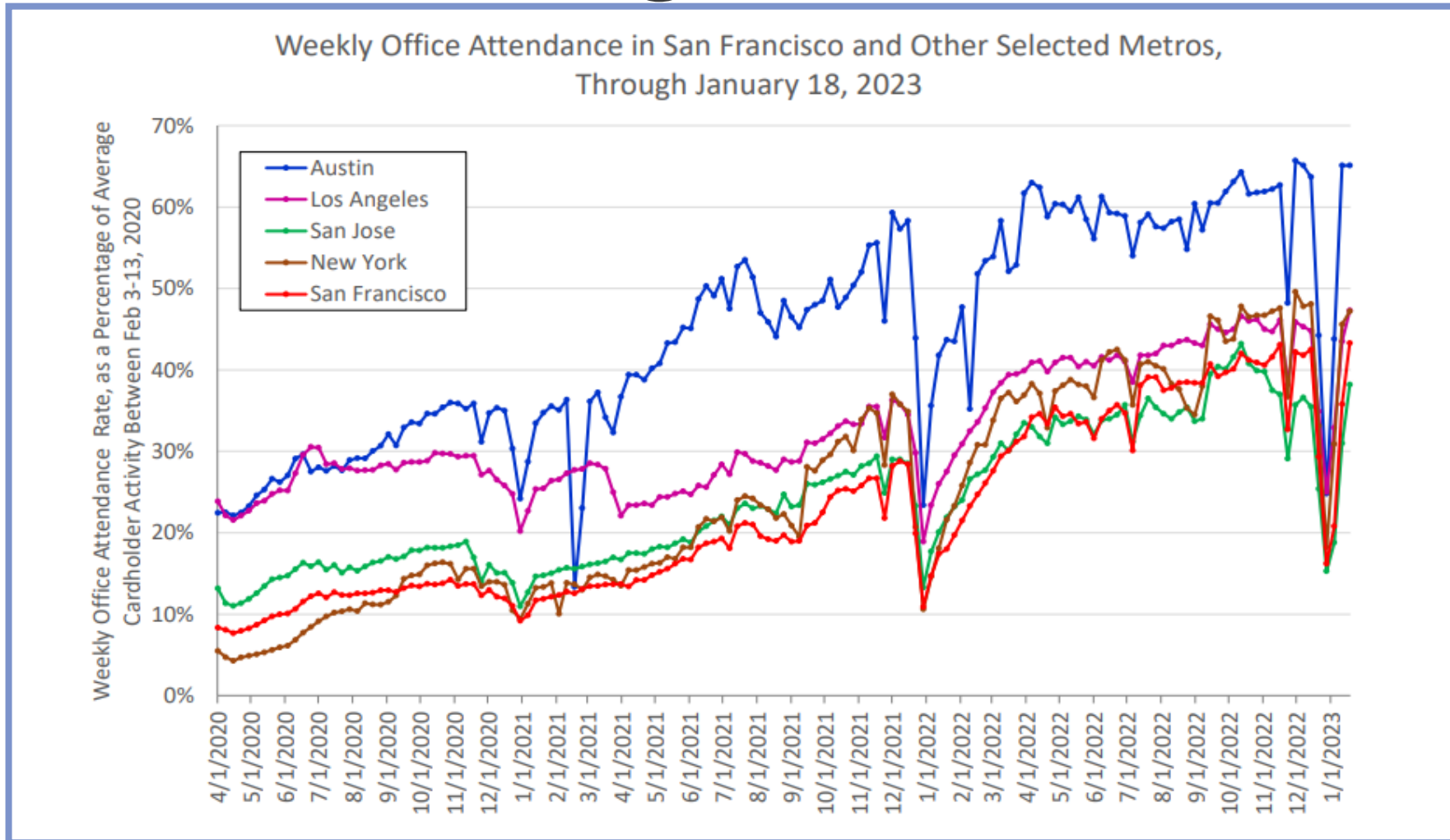


Source: EDD



C

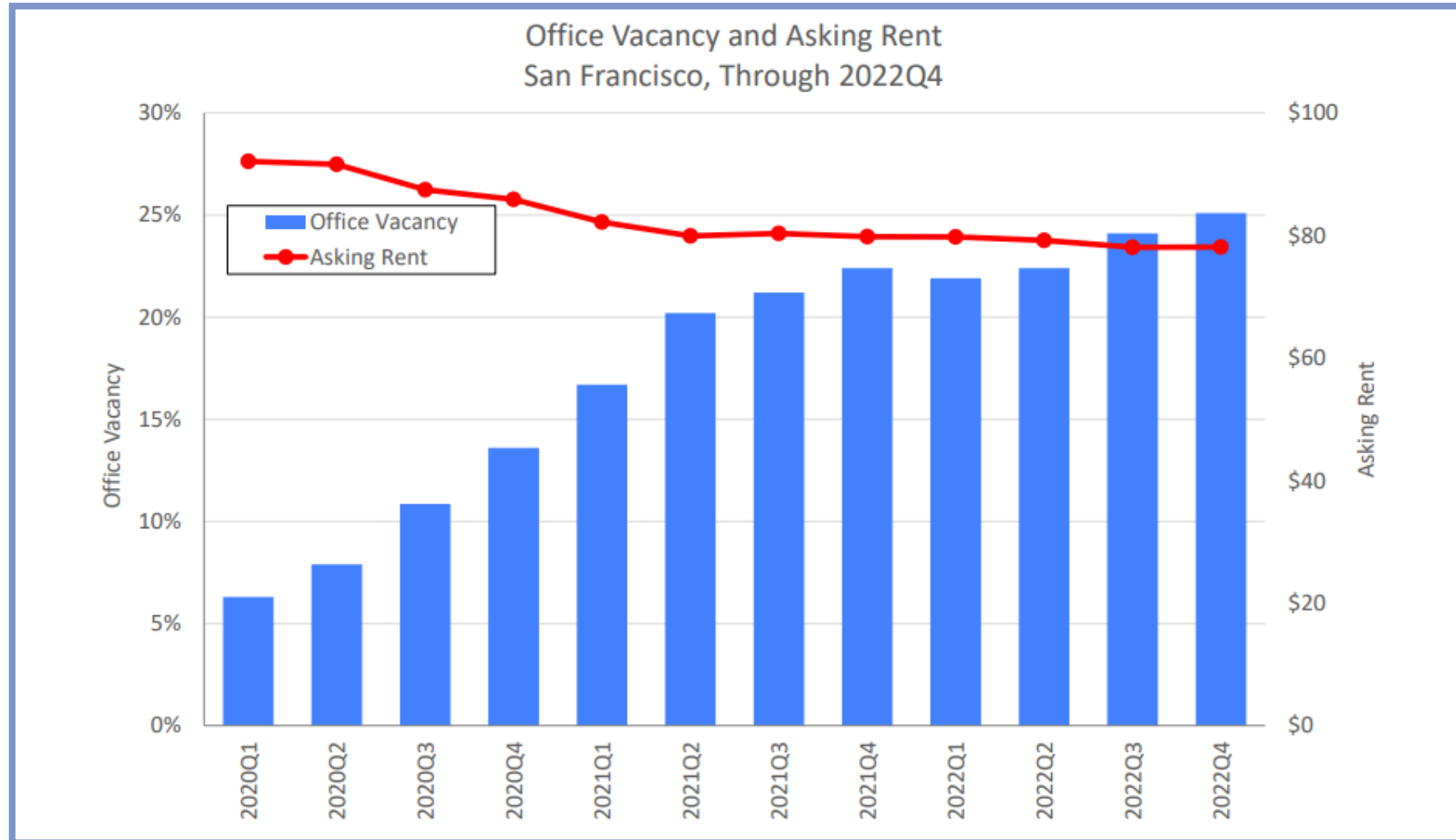
However, office attendance continues to lag other metros...



Source: Kastle Systems



C Office vacancies continue to rise, while commercial rents fall



Source: Jones Lang LaSalle (JLL)



C Fiscal Outlook - Impact to DEC

- 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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D 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.

D 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

Racial Equity –
Ensuring race is
not a predictor of
outcomes

D *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

	CHILDREN & FAMILIES COMMISSION		EARLY CARE & EDUCATION		DEC TOTAL	
REVENUES	FY24	FY25	FY24	FY25	FY24	FY25
Interest & Investments	112,000	112,000	614,736	614,736	726,736	726,736
Federal grants (pass through the state)	0	0	1,275,471	1,135,707	1,275,471	1,135,707
State grants	0	0	11,989,215	11,989,215	11,989,215	11,989,215
State Prop 10 (Tobacco Tax)	11,266,686	11,335,996	0	0	11,266,686	11,335,996
Medi-Cal (County Medi-Cal Admin Activities)	2,000,000	2,000,000	0	0	2,000,000	2,000,000
Work order recoveries/General Fund	11,561,978	11,561,978	32,590,194	32,590,194	44,152,172	44,152,172
Local Baby Prop C	0	0	301,803,949	309,899,788	301,803,949	309,899,788
Local Public Education Enrichment Fund (PEEF)	0	0	45,170,000	46,820,000	45,170,000	46,820,000
Local Childcare Capital/Facilities Funds	0	0	6,750,822	5,000,000	6,750,822	5,000,000
REVENUES TOTAL:	24,940,664	25,009,974	400,194,387	408,049,640	425,135,051	433,059,614

Updates since our last meeting: Migrated ECE state and federal grant programs and corresponding revenues from CFC to ECE division


Proposed DEC DRAFT Budget

	CHILDREN & FAMILIES COMMISSION		EARLY CARE & EDUCATION		DEC TOTAL	
EXPENDITURES	FY24	FY25	FY24	FY25	FY24	FY25
Salaries	1,965,175	2,041,156	7,088,487	7,392,524	9,053,662	9,433,680
Fringe Benefits	782,630	783,695	2,691,167	2,674,375	3,473,797	3,458,070
Non-Personnel Services	802,724	802,724	2,783,614	2,783,614	3,586,338	3,586,338
City Grant Programs	20,849,845	20,842,109	352,913,504	359,062,334	373,763,349	379,904,443
Materials & Supplies	37,550	37,550	335,660	335,660	373,210	373,210
Capital Projects	0	0	1,750,822	0	1,750,822	0
Services of Other Departments	502,740	502,740	6,216,133	6,216,133	6,718,873	6,718,873
City Operations/Administration (Baby Prop C)	0	0	26,415,000	29,585,000	26,415,000	29,585,000
EXPENDITURES TOTAL:	24,940,664	25,009,974	400,194,387	408,049,640	425,135,051	433,059,614

Updates since our last meeting: Migrated ECE state and federal grant programs and corresponding expenses from CFC to ECE division




DEC Special Funds – Proposition C



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


CAPACITY

ACCESS



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

WORKFORCE



Workforce– Recruit/retain educators through increased compensation and professional development/educational pathways.



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.



D Baby C Annual Projections

(\$Millions)	FY23 Bud.	FY24 Bud.	FY25 Bud.	FY26	FY27	FY28
Baby Prop C Revenue	226.0	173.0	194.1	205.6	218.9	231.9
(Less) 15% GF Baseline	33.9	26.0	29.1	30.8	32.8	34.8
Available for DEC Program	192.1	147.1	165.0	174.8	186.1	197.1

FY23 Expected
Revenues **\$181.7M**;
difference to be
covered with Baby C
Controller's Reserves

D DRAFT Budget – Use of Reserves for One-Time-Only Projects in FY24-25

\$30M

Teacher Pathways*

\$70M

Capacity Expansion*

\$60M

Salary Reserve

*Details follow

D

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

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