



London Breed  
Mayor

#### **Committee Members**

Sandee Blechman  
Fonda Davidson  
Meredith Osborn  
Yohana Quiroz  
Lygia Stebbing  
Pat Sullivan  
Candace Wong  
Jerry Yang  
Meenoo Yashar



Denise Corvino  
Acting Director

## OECE Citizens Advisory Committee

Thursday, January 17, 2019

4:00 - 6:00 pm

1650 Mission Street, Suite 312

### **Meeting Minutes**

**Members Present:** Sandee Blechman; Fonda Davidson; Yohana Quiroz; Lygia Stebbing; Pat Sullivan; Jerry Yang; Meenoo Yashar;

**Members Absent:** Meredith Osborn; Candace Wong

**OECE Staff Members Present:** Denise Corvino; Sandra Naughton; Graham Dobson; Licette Montejano; Carlo Manaois; Tony Tyson;

**Members of the Public Present:** Sara Hicks-Kilday, San Francisco Child Care Providers Association; Monica Walters, Wu Yee Children's Services

#### **I. Call to Order and Agenda Review**

#### **II. Minutes of November 29, 2018 CAC Meeting**

- a. A CAC member requested an addition to "Section V – Citywide Evaluation Plan with ASR" listing specific suggestions the CAC made about how we can better use and build on existing information such as the Citywide plan, CPAC needs assessment, family experience survey etc.
- b. Motion to approve. Approved as amended.

#### **III. Director's Update (See attachment 1)**

- a. Acting Director Corvino began her update by reflecting on her first year with OECE and thanking the CAC and San Francisco ECE community for teaching her so much during this time of immense change. She highlighted the following key updates which are further detailed in the full report:
  - OECE's permanent Executive Director position posting closed on January 2<sup>nd</sup> and interviews will take place soon.
  - Educational Revenue Augmentation Fund (ERAF): The City has received a large windfall of additional one-time funding through the State property tax ERAF fund. We are anticipating that approximately \$4.2 million of this one-time funding will be allocated to OECE and we are committed to finding ways that this funding might be allocated towards alleviating our workforce compensation crisis.

- Prop C: Acting Director Corvino highlighted the continued progress of the CPAC ad-hoc committees as well as OECE’s outreach efforts including the online survey, 12/8/18 town hall, and upcoming toolkit opportunity which will allow established parent, neighborhood, and educator groups to engage in a structured discussion about Prop C at a time when they are already meeting.
- November 2018 Enrollment Dashboard: Our latest enrollment dashboard has been posted to the OECE website and shows that we have 7,656 children enrolled in ELS, a slight increase from the previous month.
  - i. A CAC member suggested that it would be very helpful if OECE could produce and present trend data in addition to monthly enrollment snapshots to show how enrollments have changed over time.
    - 1. OECE response: Yes, we would be happy to work on that.

**IV. Budget Discussion** *(see attachment 2)*

- a. Carlo Manaois, OECE’s Budget and Contracts Liaison introduced himself and provided a brief overview of OECE’s budget process and timeline. He then summarized several current-year budget highlights including the launch of Early Learning SF, providing a 2.5% CODB increase for all ELS and contracting partners, and sponsoring the 2<sup>nd</sup> annual preschool fair at City Hall. Mr. Manaois continued by presenting a snapshot of OECE’s FY 18-19 budget by revenue source *(see attachment 2, slide 7)*.
  - i. A CAC member asked for clarification on how much of the \$17.7 million in work order revenue comes from DCYF and whether or not that money was earmarked for specific purposes
    - 1. OECE response: Most of it, approximately \$17 million which mostly goes towards ELS subsidies.
  - ii. Which of these revenue sources carry over into subsequent fiscal years and which are “use it or lose it?”
    - 1. OECE response: PEEF, Developer fees, and grants mostly carry forward year to year while General Fund, CalWorks Stage I, Work orders, and other sources mostly do not carry forward across fiscal years.
  - iii. Can you give some examples of CDE grants?
    - 1. OECE response: Some examples include grants that fund the local planning council (CPAC), AB212, TK stipends, and Quality grants.
- b. Mr. Manaois continued his presentation by discussing OECE’s budget in terms of expenditure categories *(see attachment 2, slide 8)*. He explained

that OECE's single largest expenditure category is subsidies and further broke down expenditures within this category by subsidy type (*see attachment 2, slide 9*).

- i. A CAC member asked if it would be possible to provide a chart or graphic comparing budgeted subsidy amounts versus what has actually been spent to date.
  - 1. OECE response: Later today, OECE will be presenting on ELS rates and that presentation should begin to address this question but we are also happy to follow up with a visual that provides a snapshot comparison.
- c. Mr. Manaois continued by further detailing the services that fall under the Quality Improvement and Capacity Building expenditure category.
  - i. CAC members appreciated the list of services but asked OECE to provide a pie chart with the dollar amounts (similar to what was done for the subsidy category).
    - 1. OECE response: We are happy to provide this as a follow up.
- d. Mr. Manaois concluded his presentation by summarizing the Mayor's Budget instructions for the coming year as well as additional budgeting context information.

**V. ELS Progress Report** (*See attachment 3*)

- a. Tony Tyson, OECE's Fiscal Strategies Manager, presented an update to the CAC about what is currently working and what we have heard needs improvement within the ELS system.
  - i. Successes include the creation of ELSF which has received generally positive feedback from parents and providers as being easier to navigate than SF3C, reduction in paperwork for providers (though there is still more work to do there), our voucher rates enables parent choice as was intended, we've eliminated funding that drops off before a child turns five, and we are better leveraging state and federal funding (Title V contractors are earning \$600,000 more of their contracts as compared to this time last year).
  - ii. Challenges we've heard from the community include difficulty filling ELS reserved spaces. OECE has tried to address this by analyzing underspending and shifting \$1.5 million in underspent ELS reserved funds into vouchers starting in December, 2018. We've also heard that proration of reimbursements creates administrative challenges for programs. In response, we plan to change our policy so that the age of the child at the beginning of the month is the age for which a program is reimbursed.

1. A CAC member commented that the biggest challenges with enrollment-based reimbursement rates is that when a child leaves, especially if they leave unexpectedly, it can take several months to refill the slot and the program must remain fully staffed throughout that period. While expenses remain relatively constant, the enrollment-based reimbursement model means that the program is not able to earn their “up-to” amount on their ELS contract.
  - a. OECE response: Our current ELS policy allows for a two week grace period of reimbursement after a child leaves.
  - b. Another CAC member commented that Head Start has a 90-day grace period to fill a vacancy. However, their funding is grant-based as opposed to enrollment-based.
- iii. Additional challenges include that we have not yet been able to create a tiered reimbursement rate for programs with QRIS ratings of 4 and 5 as was intended in the original ELS plan. There are also misunderstandings in the community about how the rates were developed. OECE has not done a great job at making stakeholders aware that approximately 72% of the rate is based on compensation.
  1. A CAC member commented that the concern in the community is not about the percentage of the rate that is based in compensation, but rather that the underlying assumptions used to develop these rates, including those for compensation, are based on data from 3-4 years ago and we know prevailing wages at that time are not sufficient to recruit and retain workforce today.
  2. Additionally, a CAC member commented that the community and CPAC specifically, are very concerned about OECE’s underspending. There is a strong consensus in the community that rates need to be raised to increase workforce compensation and if we want to expand capacity and limit underspending, rates need to be updated immediately. We cannot credibly advocate for increased funding like the ERAF funds when OECE is consistently underspending. CPAC plans to advocate for additional funding specifically to increase rates to address the workforce crisis but there are things OECE could be doing now to move in that direction. The CAC member asked why OECE is not working to update rates during this fiscal year?

- a. OECE response: In our next agenda item OECE will present on the steps we are currently taking to update rates at which point we can further discuss your question.
- iv. Mr. Tyson concluded the ELS progress update by discussing work that the OECE fiscal strategies team is doing to towards bringing new programs into the ELS network including working with the ISA agencies and Quality Networks to determine optimal processes.
- v. CAC members had several questions and comments in response to the presentation:
  - 1. Throughout the presentation you mentioned various analyses of different programs and I would like to hear more about what specifically is being done to analyze different programs and implementation issues.
    - a. OEC E response: Most of this feedback is drawn from ELS feedback focus groups as well as ongoing feedback our OECE points of contact and fiscal strategies team have been tracking as issues arise. The ELS focus groups have been very helpful so far and we are thinking about ways we can more consistently solicit this type of feedback going forward.
  - 2. I am concerned about the comments made during the presentation that we do not have up-to-date data on salaries within the workforce. That information is critical to addressing workforce challenges and improving the rates and system. Couldn't OECE simply request hi-lo salary data from each ELS program?
    - a. OECE response: We do have data from the California Workforce Registry and participation in the registry is a requirement of ELS funding. We know there have been challenges for some members of the workforce in utilizing this tool and we have funded HelpDesk and one-on-one technical assistance to help boost participation. We have also made several pushes to incentivize participation but ask for all of your support to continue to stress the importance of participation with your staffs and members of the ECE community.
    - b. A CAC member responded that though the registry data may not be perfect, we have significant

anecdotal evidence heard over and over again in the community about the extreme difficulty programs are having in hiring and retaining staff. We don't need to wait on perfect data to know that we have a workforce crisis. This crisis is something we can and should be addressing now by increasing rates.

- i. Increasing ELS rates is just one piece of addressing the crisis. Even if we increase rates to pay all current teachers better, we still don't have enough teachers in the pipeline to meet capacity needs.
  1. Better wages could attract more to the field. Increasing rates is the obvious first step.

## **VI. ELS Rates Discussion** *(See attachment 4)*

- a. Sandra Naughton, OECE's Budget and Impact Manager, began the ELS rates discussion by refreshing CAC members on how current ELS rates were developed including the original comprehensive fiscal analysis as well as updates OECE has made since then to better align with regional market rates. She then presented on our proposed first draft of rate updates including changes that could be applied to both Center and FCC rates as well as several additional changes that could be applied only to the FCC rates. *(See attachment 5 for a more detailed explanation of the draft cost model updates proposal).*
  - i. A CAC member was concerned that the negative percentage increase for the Center preschool rate (see attachment 4, slide 12) points to a fundamental issue with the cost-revenue model as we have heard anecdotally that this is the rate that is most out of step with the regional market rate and that these centers are struggling most to retain teachers.
  - ii. Another CAC member responded that pipeline issues are about more than just wages. Increases to SF SEED stipends have helped to boost the number of teachers entering the Title V Center workforce, but as soon as they fulfill their time obligation for the stipend, they are leaving the field. This suggests that wages are important but that workplace satisfaction is critical to retention and cannot be discounted in these discussions.
- b. Ms. Naughton continued by explaining that OECE does not currently have sufficient funding to cover the costs of adopting these fully updated rates so we are hoping to get the CAC's feedback, as well as feedback from

additional stakeholders in order to determine what should be prioritized for rate updates within our funding limitations.

- c. CAC members responded with the following questions and comments:
  - i. Can you explain why there is such a large difference in the increases to rates for FCCs as compared to Centers in the updated model?
    - 1. OECE response: the differences go back to how the model attributes costs. The model averages costs across the average number of children in an FCC or Center. The model takes all the costs of a center and averages it across a larger number of children while each child in an FCC represents a larger percentage of the total costs of operation.
  - ii. Another CAC member commented they she was concerned about allocating so much of an increase to FCCs when she hears constantly from the ECE community about the difficulty staffing centers. She wanted to know what the process will be for vetting these rates and if and when a broader cross-section of input would be collected as she argued that perhaps it is more urgent to fund staffing at Title V Centers so they can fully earn their state contracts than to fully fund FCCs.
    - 1. Acting Director Corvino pointed out the CAC's FCC representative had to leave early and was therefore not in the room to offer the FCC perspective on this discussion.
  - iii. Ms. Naughton concluded her presentation by asking for the CAC's feedback on the particulars of the rate adjustment proposals as well as their advice on where and with whom we should be soliciting additional feedback beyond the CAC and Prop C Ad-hoc committees. Due to time constraints CAC members were asked to provide this feedback offline.
- d. A CAC member expressed appreciation for OECE's hard work and careful analysis to date on updating the rates as well as continued analysis of what is and is not working with ELS. On the other hand, she was deeply concerned by ongoing issues of underspending. In order to address underspending, she proposed that the Office should allocate at least an additional \$5 million of underspent funds to implementing Tier 3 rate increases during this fiscal year. She also expressed concern that OECE's current proposal for ERAF funds included additional funding for vouchers given current underspending. She argued that CPAC has been clear that they would like to see windfall dollars allocated to rate increases in order to address the workforce crisis and she worried that a proposal for additional dollars for vouchers from the Office would not be credible given underspending in this

area. She then asked for other CAC members to weigh in on her rate increase proposal.

- i. A CAC member asked OECE to provide their reasoning for holding on to funding for ELS-reserved rather than deploying it into regular vouchers where it would be more easily spent.
  1. OECE response: Because we have 3 year contracted agreements with ELS programs who were awarded ELS-Reserved we need to ensure we can honor these agreements should all reserved spaces be filled. However, following Q1 this year, we actively reached out to programs who were not fully expending reserved and, as Mr. Tyson mentioned earlier, we worked to release these funds as regular vouchers wherever possible. We also did this to a lesser extent in year 1 moving some of the projected underspending out of the ELS-reserved bucket and into the ELS-voucher bucket in the ISA contracts.
  2. A CAC member commented that despite problems with fully earning on ELS-reserved, she would not recommend getting rid of it completely. She argued that ELS-reserved is necessary for those families who don't qualify otherwise who really need it. She thought that problems with the program may have more to do with the application process and how the program is communicated to both programs and families than actual need.
- ii. A CAC member commented that while she understood OECE's need to honor their ELS-reserved agreements, the trend over the last two years indicates that programs will not fully earn ELS-reserved and unless OECE makes some changes, a huge amount of money will be left on the table.
- iii. Another CAC member asked if it might be possible for OECE to use underspending for a 1-year rate adjustment to utilize underspent funds.
  1. OECE response: We are certainly willing to explore using underspent funds and/or ERAF funding to increase rates but we are not willing to adjust rates such that we put ourselves in a position to have to decrease them one or two years down the line. That is, we want to ensure any increases will be sustainable.
- iv. CAC members expressed concern that QRIS has changed significantly since the conception of ELS and requested further conversation on whether or not implementing a Tier 4 and 5 rate still made sense.

1. A CAC member wondered if OECE would be able to afford implementation of a single rate differential for Tiers 4 & 5 since OECE said they could not afford to implement the fully updated rates including differentials for both tiers.
  - a. OECE clarified that the \$7 million in overages for the cost of the updated rates was an estimate derived only from fully updating the Tier 3 rate. The Office estimates it would cost upwards of \$11 million additional dollars to implement Tier 4 and 5 rates.
- v. A CAC member commented that they know the ERAF funding is one-time but they wanted to know if it had to be spent completely over 1 year.
  1. OECE response: Yes the funding is one time, but it can be spent over multiple years.
- vi. Another CAC member commented that she would support \$5 million additional dollars put towards compensation whether it comes from the windfall money and/or the ERAF windfall. She proposed a motion to the CAC to recommend that OECE spend an additional \$5 million of spending towards compensation.
  1. A CAC member asked the Office what, if anything, would be the reasons not to do so.
    - a. OECE responded that using underspending would enable an increased rate for the rest of this fiscal year but we may not have funding to sustain rates at the same level going forward. While advocacy groups may be working to increase resources, OECE can only budget based on currently available funds, not on speculations about what we think we might get.
  2. A CAC member responded that she would not feel comfortable recommending that one-time underspending be put towards ongoing salary expenses.
    - a. Another CAC member clarified that the proposal was about increasing rates across the board, not salaries. This would allow program administrators to decide specifically how they wanted to use the increase whether that would be for bonuses, benefits, salaries, or other uses.
  3. A CAC member commented that he would feel more comfortable endorsing the recommendation if there was some assurance that the increase would go directly to teachers rather than general operations.

- vii. A CAC member again introduced a motion that the CAC make the following recommendation: The CAC recommends that the Office implement an equal percentage “across the board” rate increase effective January 1, 2019 that would result in an additional \$5 million spent between now and year’s end.
  1. Motion approved by all present members.
  2. OECE responded that they would do some scenario modeling and rates analysis based on this recommendation and follow up.

**VII. Public Comment**

- a. In response to the discussion on updating rates, a member of the public commented that she would like to see more specifics about the underlying wage and benefits assumptions that went into the updated rates. She also expressed concern about the model’s structure being cost-per-child as she felt it may disadvantage Centers that typically have higher operating costs. She also commented that since we know we are having difficulty hiring and retaining staff at current wages, we should not be basing wage assumptions on BLS data, but rather should be more aspirational if we want to address the workforce crisis. Finally, she asked why OECE stated that we could not afford to fully update the rates in this way when the estimated cost overage is less than the projected annual underspending.
- b. A member of the public agreed with CAC members’ comments regarding concern over underspending. She felt underspending on vouchers creates a perception problem that makes it incredibly difficult for CPAC to advocate for increased funds like the ERAF money. This member of the public also commented that she agreed with CAC members who brought up concerns around the assumptions used to develop Center rates. She does not think 69-70 children is an appropriate average to base center rates on. She argued that the majority of centers are operating with significantly fewer children. She also agreed with the CAC members who brought up concerns about the larger increases in rates for FCCs than Centers.

**VIII. Closing**

**Next scheduled meeting: March 21, 2019  
CAC Prop C Retreat to be scheduled**

For questions or assistance, please contact Maya Castleman  
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\*\*Know Your Rights Under the Sunshine Ordinance: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102. (415) 554-7724 / fax (415) 554-5163  
[sotf@sfgov.org](mailto:sotf@sfgov.org)

**Attachments:**

- I. Director's Report**
- II. FY 19/20 OECE Budget Planning Presentation**
- III. OECE CAC Fiscal Strategies Update Presentation**

**I. Initial Steps to Update ELS Rates Presentation**

**Model Updates Handout**

**IV. Draft  
Summary of Cost**

## Attachment I: Director's Report

To: OECE Citizen's Advisory Committee Members  
From: Denise Corvino, Acting Director  
Date: January 17, 2018  
Re: Director's Report

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### I. Office of Early Care and Education Updates

HAPPY NEW YEAR!!! As we head into 2019, I have been thinking about my first year here at SF OECE. Last year, 2018 was a year of change for San Francisco and for OECE. This has created immense opportunity—opportunity to reflect on the past, consider what worked and what could change, and an extraordinary opportunity to plan for the future of ECE in San Francisco with the prospect of additional and significant funding.

I took some time to go through my notes from the year. There is so much I have learned, and so much more to go! Thanks to many of you on the CAC, and other community members, who have patiently helped me learn so much about our complex ECE community. I am excited about the work we are doing together for the children, families, and workforce of San Francisco. I'm also looking forward to strengthening our partnerships and relationships as we continue to work together. As the search for the new OECE Executive Director continues—the position posting closed January 2, and interviews are anticipated soon—our staff at OECE, along with our partners continue to work on evaluation, improvements, and planning.

- **Policy and Program Updates**

- **ERAF Funding**—Under State law, property taxes are distributed by the County Controller to the cities, school districts and other taxing entities within its borders, with a unique formula for each county. In 1992 and 1993, as a means of balancing the State budget, the State directed all counties to create an Educational Revenue Augmentation Fund (ERAF) and shift local property tax revenue into the fund. OECE is working with the Mayor's Education Policy Advisor and the Mayor's Budget Office to determine the best use of the allocated, or baseline, funds. We are anticipating approximately \$4.2 million one-time funding. There is a deep commitment from the OECE, the Mayor's office, and the community, to trying to figure out if and how this *windfall* might go towards alleviating our workforce compensation issues.
- **Prop C Updates**—We are steadily working with our Ad-Hoc committees for Prop C planning and moving forward with the Proposed Approach and Design for Developing the Five-Year Spending Plan.
  - We continue our outreach and are asking community members to spread the word about our SF Early Care and Education for All

survey posted [here](#). As of January 10, we have received 465 responses: English: 322, Chinese: 133, Spanish: 10  
While we continue with our general outreach plan, the OECE team is identifying key agencies that may help us with extra outreach to the Latino community.

- On December 8, 2018 OECE hosted a San Francisco Early Care and Education for All Initiative Town Hall Meeting at the Main Library as an additional opportunity for stakeholders to share their experiences and priorities for Early Care and Education in San Francisco. There were over 50 community members (parents, advocates and providers) in attendance. We were additionally honored to have Supervisor Norman Yee, Supervisor Jane Kim, and the Education Policy Advisor to the Mayor, Jenny Lam join us. The event started with a Prop C overview and moved to small group discussions where we received many thoughtful insights, recommendations, and ECE Bucks responses. Details are available in a presentation [report](#).
- **Toolkits for Parent Groups and ECE Professionals to Provide Input:** Community engagement of parents and professionals can be challenging given the demands of nurturing young children. To foster input from parents and professionals, OECE has developed a toolkit for groups of parents and professionals to share their experiences of current conditions, priorities, and promising strategies to improve San Francisco’s early care and education system within the priorities established by Proposition C. The toolkit is designed to help participants engage in a structured conversation on the Prop C priorities and share their feedback with OECE. OECE is reaching out to established parent groups, neighborhood networks, and convenings of ECE professionals to ask them to use the toolkits at times when their participants are already meeting. We are planning a Toolkit Training Webinar on February 1 for those who would like some help preparing for a presentation. There will also be guidance available on our website for those who cannot attend the webinar.
- **Enrollment Dashboard for November 2018:** We are happy to report that we have completed our enrollment dashboard for November. Our latest report shows that we have 7,656 children enrolled in the Early Learning Scholarship—a slight increase. As we continue to evaluate funding and voucher projections, we hope to see further increase in the coming months. See attached report.



## **FY 19/20 Office of Early Care and Education Budget Planning Presentation**

**Citizens' Advisory Committee**  
January 17, 2019

## Agenda



- Budget Process Overview
- Current Year Budget Highlights
- Budget Planning Context and Considerations
- OECE Budget Planning Timeline
- Next Steps



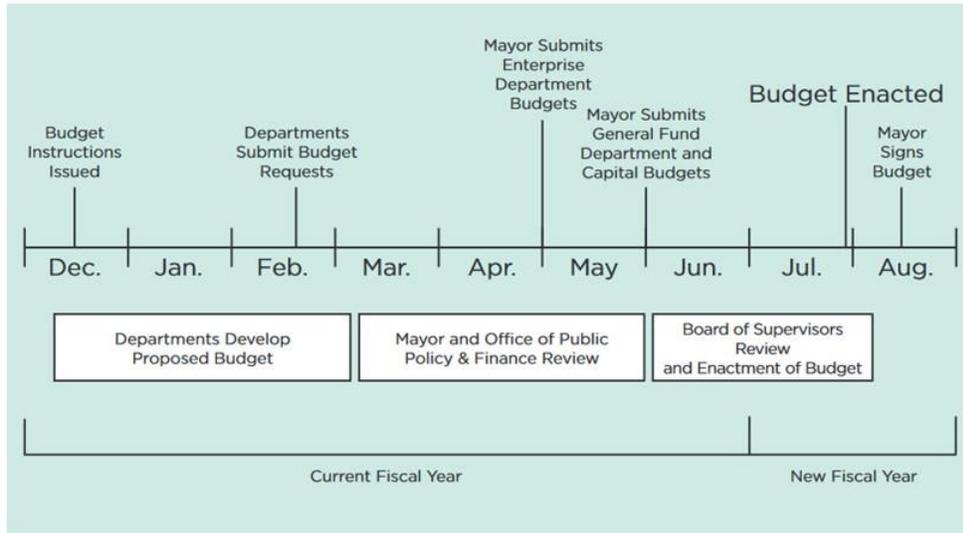
## Budget Process

- ❑ Who are the key actors in the City's budget process?
  - ❑ Mayor & Mayor's Budget Office (MBO)
  - ❑ Supervisors and the Budget Legislative Analyst (a.k.a. Harvey Rose's Office)
  - ❑ Departments and their Programs
  - ❑ Recipients of services, Community Organizations, SF Residents, Businesses, etc.



## Budget Process (continued)

### □ The Timeline



## Budget Process (continued)

- ❑ OECE is Unique
  - ❑ Direct Line to Mayor
  - ❑ Funding Sources



## FY 18-19 Highlights



### **Early Learning SF: New matching system for families and programs**

- Launched on 10/29 after 18 months of collaborative planning with stakeholders
- Replaced the previous SF3C system
- Making ongoing improvements based on stakeholder feedback

### **Strong Contracting Partnerships**

- Incorporated partner needs input into updated contracts
- Implemented a 2.5% Cost of Doing Business increase for partners
- Released a Data Systems RFQ and 2nd Innovation Pilot Fund RFP

### **Preschool Fair**

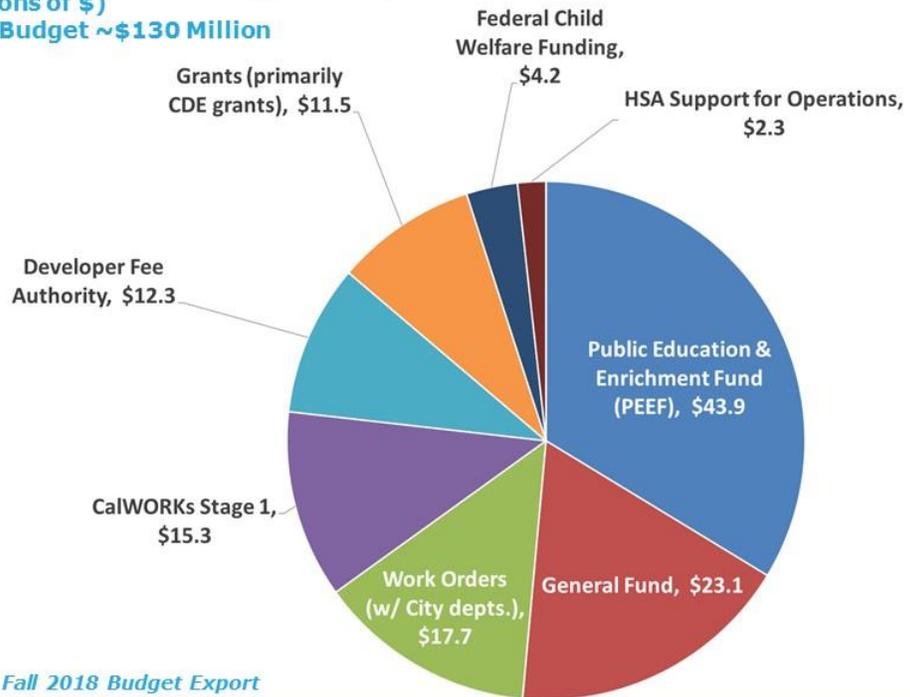
- Sponsored and organized event in November with more than 800 families and 50+ preschool programs, including a resource fair with 18 agencies, and 23 volunteers

### **Prop C Planning**

- Plan to plan submitted to Board and Mayor
- Conducted 8 community/stakeholder events to help the Office prioritize funding, including a Town Hall on December 8<sup>th</sup>

# FY18-19 Budget by Revenue Source

(millions of \$)  
Total Budget ~\$130 Million

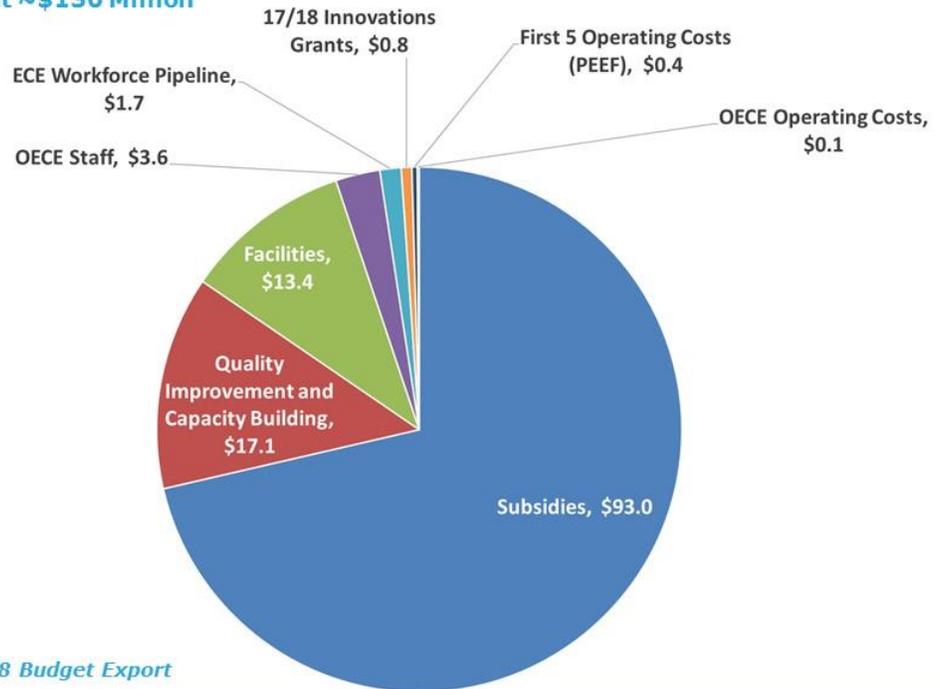


Source: Fall 2018 Budget Export

## FY18-19 OECE Budget by Expenditure Category

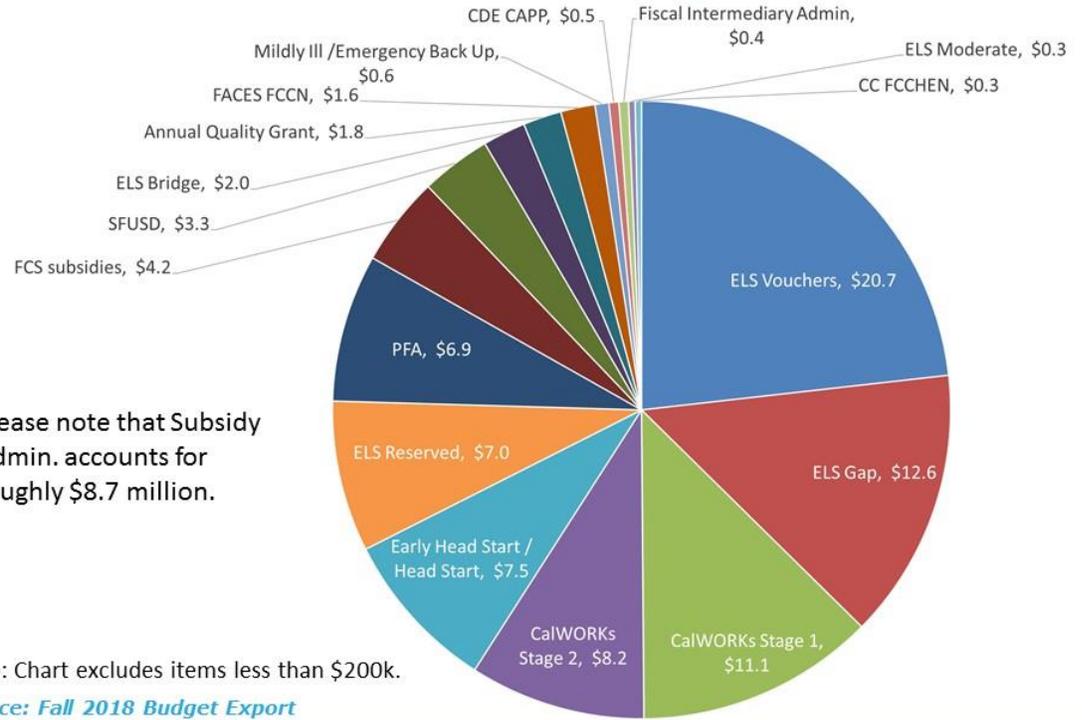
(millions of \$)

Total Budget ~\$130 Million



Source: Fall 2018 Budget Export

## FY18-19 OECE Subsidies Budget (millions of \$)



## Quality Improvement & Capacity Building

- Quality Rating and Improvement System
- Public Health Consultations (Dept of Public Health)
- Mental Health Consultations (Dept of Public Health)
- Family Child Care Quality Network
- Resource & Referral Local Funding
- Curriculum Enhancements (Literacy, Arts)
- Training, Coaching, Quality Improvement Efforts

## Multi-year contract considerations

- Roughly over 85% of OECE funds are budgeted for multi-year contracts
- Majority of multi-year contracts continue into the next fiscal year
- Most budget changes in FY 19-20 will be within subsidy funds, such as rate adjustments and/or changes to subsidy type amounts

## Mayor's Budget Instructions for FY 18/19 and FY 19/20



- FY 19-20: Departments propose ongoing General Fund reductions of 2%
- FY 20-21, Departments propose ongoing General Fund reductions of an additional 2%
- Departments should reprioritize changing staffing needs within existing staff

### High-Level Background

- Growing healthcare and employee costs contributes to a projected cumulative shortfall citywide of \$107 M in FY 19-20 and \$163 M in FY 20-21 if costs aren't controlled.
- Mayoral Priorities: Building Housing, Reducing Homelessness, Addressing Behavioral Health Needs, Clean & Safe Streets, Accountable Government, Creating Equitable Opportunities.

## FY 19-20 OECE Budget Context



- Mayor's Budget Office typically requests a 2.5% Cost of Doing Business (CODB) for all contracts funded with General Fund. *ECE subsidies have not traditionally been included.* OECE needs to identify funding for contracts that use other funding sources (PEEF, etc) and for ECE subsidies, if we want them to also have a CODB
- \$4M in addback funding used for subsidy funding expires in FY 18-19
- Cannot budget projected Prop C funding due to legal challenges
- Approximately \$2.7 million projected growth in PEEF
- At least \$8 M in one-time funding from City ERAF (not yet approved)
- On state context, there may be additional funding and/or changes to rates

## FY 19-20 OECE Budget Planning Timeline



Date	Milestone
December 12, 2018	Mayor's budget instructions released
January 17, 2019	OECE budget meeting with Citizen's Advisory Committee
February 21, 2019	OECE proposed budget due to Mayor
June 1, 2019	Mayor submits budget to Board of Supervisors (BOS)
June, 2019	BOS Budget Committee Hearings
July, 2019	Budget considered at BOS

# *OECE CAC Meeting*

## *Fiscal Strategies Update*

January 17, 2019



San Francisco Office of Early Care & Education

1650 Mission Street, Suite 312, San Francisco, CA 94103

(415) 355-3670

# How is it going?

## Goals of Subsidy System Redesign

- \* Preserve what is working
- \* Simplify the system for families to navigate and promote family choice
- \* Reduce paperwork/administrative burden for providers and system
- \* Finance the cost of quality to Tier 3
- \* Eliminate cliffs and promote continuity of care until kindergarten.
- \* Leverage State/Federal funding
- \* Focus support on target populations not yet achieving K-readiness

## Progress Toward Goals

- \* Continued focus on serving most vulnerable and increasing financial supports for partners and families
- \* ELSF is more interactive and intuitive for families- still needs refinement
- \* Less paperwork in the subsidy enrollment process and reporting
- \* ELS voucher has access to 75% of the market (according to NSD information)
- \* Standardization of rates across funding types and sources and continuity of care.
- \* We are over \$600,000 better than we were at this time last year in earnings
- \* Commitment for target populations to improve school readiness outcomes through continuity of care and high quality programs.



## What we are hearing...

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- ▶ ELS Reserved Challenges
- ▶ Pro-ration of reimbursements
- ▶ No additional funding for Tiers 4 and Tier 5 levels of quality
- ▶ System not simplified
- ▶ How does it support the workforce?
- ▶ ELS Moderate- Need more resources



# What we are doing...

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- Gathering feedback from our partners in a variety of ways
  - Target outreach and small group sessions for input
  - FS Team has representation at the Prop C ad-hoc committees to work on improvements to the system now.
- Analysis: OECE Fiscal Strategies Team has been working closely with our ISA partners to determine how to fully utilize funding.
  - Reallocation of funding types to increase access for families
- Continuing to refine Early Learning SF matching system
- Refinement and analysis of the ELS rate moving forward
- Development of budget strategies to thoughtfully maximize spending in FY19/20





## What we are working on...

	Need to know more	Action
Reserved	To understand why Reserved is being significantly underutilized by some programs	Survey sent to specific programs and projected enrollments for programs by funding type for FY19/20.
Bridge	Project the percentage of families reaching their 2 year (pilot) re-certification date that will likely need Bridge	Quantify the number of families to be recertified in FY19/20 and project the % who will no longer be eligible for state funding
PFA	To understand why PFA is being underutilized by some programs	Analyze by program report Phone or electronic survey
Attrition	What is the attrition rate of our current ELS Voucher & Reserved beyond year one.	Analyze attrition data for voucher and reserved both for this year and next FY
New Sites	Determine if any new sites for FY18/19-19/Y20 will have funding agreements (PFA/Reserved)	Analyze and update new sites report (include SFUSD)



# QUESTIONS



Thank You!



# *Initial Steps to Update ELS Rates*

January 17, 2019  
Citizen's Advisory Committee



# Objectives

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- Provide brief background on our ELS rates
- Discuss proposed approaches to updating rates to inform budget and Prop C planning
- Next steps



# Background on ELS Rates

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- Comprehensive Fiscal Analysis (CFA) included cost models for the cost of services at QRIS Tier 3 level.
  - Based on interviews of several programs and available data
  - Complicated methodology not yet socialized in the field
  - Conducted in 2016 using current data
- The Tier 3 rates more reflective of the real costs in San Francisco than OECE's previous funding models
- OECE adopted Tier 3 rates as ELS Rates for Centers & FCCs for FY 2017-18

# Background on ELS Rates

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- Staff are the largest cost drivers
  - Uses Bureau of Labor Statistics data for metro area
  - SF min wage drives up wages
- Model assigns costs per child based on enrollment
  - *Centers*: use an average enrollment size/age mix
  - *FCCs*: average of the following:
    - max enrollment and average age mix for large FCC
    - max enrollment and average age mix for small FCC

# Background on Rates

- FY 17-18 ELS Center rates did not always reflect market

Annual ELS Center Rates Compared to Four ECE Programs in FY 17-18

Ages	FY 17-18 ELS Rates	SOMACC		Holy Family		Big City Montessori		C 5	
	Annual Rate	Annual Rate	Diff from ELS Rate	Annual Rate	Diff from ELS Rate	Annual Rate	Diff from ELS Rate	Annual Rate	Diff from ELS Rate
Infant	27,496	25,008	2,488	30,900	(3,404)			29,832	(2,336)
Toddler	20,935	25,008	(4,073)	29,052	(8,117)	30,400	(9,465)	27,216	(6,281)
Preschool	17,069	20,844	(3,775)	22,872	(5,803)	30,400	(13,331)	25,152	(8,083)

Note: Red indicates where ELS rates were lower than ECE programs' rates.



# ELS Rates To Date

## FY 17-18 (Year 1 of ELS):

- FCC rates: 2017 data
- Center rates: 2016 data

## FY 18-19 (Year 2 of ELS):

- Applied a 2.5% increase or **matched Regional Market Rate (RMR)**, whichever is higher; and **significantly increased preschool center rate**.

CENTERS	Full Time	Part Time
Age Group	% Increase	% Increase
Infants	2.5%	2.5%
Toddlers	2.5%	2.5%
Preschoolers	<b>16.0%</b>	<b>28.2%</b>

FCC	Full Time	Part Time
Age Group	% Increase	% Increase
Infants	2.5%	<b>9.7%</b>
Toddlers	2.5%	2.5%
Preschoolers	2.5%	<b>7.5%</b>



## Process to Updates to Rates

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- 1) Contracted with Jeanna Capito
- 2) Stakeholder feedback sessions in August 2018
- 3) Conduct first iteration of updated rates
- 4) Share with stakeholders to gather input
- 5) Adjust updated rates based on feedback, and continue to iterate as needed
- 6) Develop a plan to implement updated rates and work toward parity with SFUSD compensation

# Proposed First Draft of Rate Updates

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- **Applied to both Center & FCC models:**

1. Adjusted all expenses for inflation using Consumer Price Index (CPI)
2. Increased employer discretionary benefit amount by \$1,500 per FTE
3. Added a \$1,000 transportation stipend per FTE
4. Increased substitute rate from minimum wage to \$38/hr (average staffing agency rate)
5. Used updated Bureau of Labor Statistics wage data (from 2017) and inflated it to next year

# Proposed First Draft of Rate Updates

## Summary of updates to **FCC models only**:

1. Use small FCC and large FCC rates vs average of the two

*About 80% of our FCCs are small. Separate rates for small and large FCCs will be more reflective of actual costs.*

2. Increased 0.5 FTE assistant in small FCC model to 1 FTE

*This assures all FCC models have at least 1 FTE in addition to the FCC owner.*

3. Changed FCC owner “salary” to mirror Center Director’s

*Aiming to seek more parity in staff positions within Center model; change increases FCC owner salary by approx \$1K.*

4. Staggered infant, toddler and preschool rates

*To address feedback about disincentive to serving infants, staggered rates by age. 37.5% of an assistant allocated to infants, 12.5% to toddlers, and remaining 50% to all ages evenly*



# Proposed Tiers

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- Built off updated Tier 3
- Proposed costs for Tier 4 and Tier 5
- Major costs differences between tiers are staff qualifications
- No changes in the following:
  - Ratios
  - Materials costs
  - Any non-personnel related costs

# Proposed Tiers

## **Center:** Staff qualifications & wages increased for:

- Lead teacher (qty=4): \$10k for Tier 4 and \$15k for Tier 5
- Teacher assistant (qty=4): \$8k for Tier 4 and \$15k for Tier 5
- Director (qty=1): 5% for Tier 4 and by 10% for Tier 5
- Supervisor (qty=1): 5% for Tier 4 and by 10% for Tier 5

## **FCC:** Staff qualifications & wages increased for:

- Lead teacher (qty=1): \$10k for Tier 4 and \$15k for Tier 5
- Teacher assistant (qty=1): \$9k for Tier 4 and \$14k for Tier 5
- Owner (qty=1): 5% for Tier 4 and by 10% for Tier 5

## Proposed First Draft of Updated Annual Rates: Centers

Tier 3	FY 19	Tier 3	Updated Rate	Difference from FY 19	% increase from FY 19
Infant	\$ 29,593	Infant	\$ 32,862	\$ 3,269	11%
Toddler	\$ 22,531	Toddler	\$ 24,613	\$ 2,082	9%
Preschooler	\$ 19,805	Preschooler	\$ 19,605	\$ (200)	-1%
		<b>Tier 4</b>	<b>Updated Rate</b>	<b>Difference from FY 19</b>	<b>% increase from FY 19</b>
		Infant	\$ 35,458	\$ 5,865	20%
		Toddler	\$ 26,633	\$ 4,102	18%
		Preschooler	\$ 20,761	\$ 955	5%
		<b>Tier 5</b>	<b>Updated Rate</b>	<b>Difference from FY 19</b>	<b>% increase from FY 19</b>
		Infant	\$ 36,947	\$ 7,355	25%
		Toddler	\$ 27,802	\$ 5,270	23%
		Preschooler	\$ 21,448	\$ 1,643	8%



## Note on Gap Amounts

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- Due to increases in the Standard Reimbursement Rate, the Gap on Title 5 amount for each age and almost all Tiers would be lower under the proposed rates than CY.
- Similarly for small FCCs serving infants and centers serving preschoolers with APP/CalWORKs, the Gap amount would be lower than CY.

# Next Steps

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- Explore rate adjustments for FY 19-20
- Share analysis with Prop C committees
- Iterate on updates based on stakeholder feedback
- Analyze path to workforce parity with SFUSD

## **Summary of Cost Model Updates – DRAFT**

### **A. Summary of Updates to both Center& FCC Models**

#### **1. Adjusted all expenses for inflation**

Original CFA was based on mostly FY 2015-16 data, with the exception of wage data for which the latest release of BLS data was used (2014) and then inflated by general CPI to 2016 values. To inflate expenses to FY 2019-20, we applied general Consumer Price Index (CPI) rates for the SF/Oakland/Hayward area for FY 17-18, FY 18-19, and FY 19-20.

#### **2. Increased Discretionary benefits, which are optional benefits employers can offer**

Based on input from stakeholders and a sample of discretionary benefits offered by employers in SF, we increased the discretionary benefit amount from \$9,000 from \$7,500 per FTE.

Note: the model assumes that employers pay this amount for all of the staff in the staffing calculation, which is unlikely but allows for a higher total expense in this area thus accounting for instances where benefits are higher.

#### **3. Added Transportation Stipend**

Based on input from stakeholders, we added a \$1,000 transportation stipend per FTE to the model.

#### **4. Increased Substitute Rate**

The model has the following for substitute hours:

- a) 10 days per employee for paid time off
- b) 10 days per employee for paid sick leave
- c) 21 hours per employee for PD hours

The model originally had minimum wage for all of these substitute hours. Based on feedback from stakeholders, we researched the costs of using a temporary staffing agency to provide substitutes. We replaced minimum wage with the average of the Teacher Permit rate from the 2 staffing agencies (\$38/hour) for all substitute time.

#### **5. Updated Wage Data**

The original CFA used 2014 BLS data and then inflated it to 2016 using CPI. We updated the models to use the most recent available BLS data, which is from 2017 and inflated those wages to 2020 using CPI.

Comparing CA ECE Workforce Registry data for professionals who work in SF as of June 2018 (and inflating those wages to 2020 using CPI) to BLS 2017 (also inflated to 2020 using CPI), the BLS data is higher for every staff role in the model.

Note: Child Care Worker in the 2014 BLS data was actually higher than the wage in the 2017 BLS. As with the general methodology, we kept the 2014 BLS value for that staff role instead of replacing it with the lower 2017 value.

## **B. Summary of Updates to FCC Model Only**

### **1. Adopt using a small FCC and a large FCC model, instead of averaging models for one FCC rate**

In 2017-18 and 208-19 we used one FCC rate, which was a weighted average of the small FCC rate and large FCC rate. We propose using a small FCC and a large FCC rate (using an estimated average enrollment for both).

### **2. Increased assistant in the small FCC model from 0.5 FTE to 1 FTE**

Based on input from stakeholders, we increased the assistant in the small FCC model from 0.5 FTE to 1 FTE. For reference, the large FCC model has 2.5 FTE assistants: 0.5 FTE to assist with QRIS, 1.0 FTE for infant& toddler ratios, and 1.0 FTE additional assistant.

### **3. Changed FCC owner “salary” to mirror Center Director’s salary**

The FCC owner in FY 17-18 was paid BLS PreK Teacher at 120% for Site Supervisor Permit for an annual amount of \$65,633. (The center director annual salary was \$ 68,350.) Based on feedback from stakeholders, we propose using the Center Director salary of \$73,314 for the FCC owner (which is the annual salary (110% BLS EC Administrator and adjusted for inflation).

### **4. Staggered infant, toddler and preschool rates**

To address feedback about disincentive to serving infants, staggered rates by age. 37.5% of an assistant allocated to infants, 12.5% to toddlers, and remaining 50% to all ages evenly.

### C. Summary of Tier 4 and 5 Updates

#### **CENTER MODEL**

Major cost drivers for increases in rates:

1) Lead teacher permit level/salary level:

Tier 3 Staff Level	Per FTE cost	Tier 4 Staff Level	Per FTE cost	Tier 5 Staff Level	Per FTE cost
1 with CD Assoc permit	\$43K	1 with Master permit	\$53K	1 with Site Supervisor permit	\$58K
3 with Teacher permit	\$48K	3 with Site Supervisor permit	\$58K	3 with Program Director permit	\$63K
<b>TOTAL COST</b>	<b>\$188K</b>		<b>\$226K</b>		<b>\$245K</b>

2) Teacher Assistants permit level/salary level:

Tier 3 Staff Level	Per FTE cost	Tier 4 Staff Level	Per FTE cost	Tier 5 Staff Level	Per FTE cost
4 with no permit level (100% CC worker in BLS)	\$35K	4 with Child Dev Assoc Permit	\$43K	4 with Child Dev permit	\$48K
<b>TOTAL COST</b>	<b>\$141K</b>		<b>\$173K</b>		<b>\$192K</b>

3) Director and Supervisor costs

- Increase by 5% for Tier 4 and by 10% for Tier 5

No change in:

- Other staff costs
- ratios
- materials costs
- any other costs that are not %s of personnel

#### **FCC MODEL**

Small Home: Major cost drivers for increases in rates:

- Owner/Director salary/draw
  - Increase by 5% for Tier 4 and by 10% for Tier 5

No change in:

- Other staff costs
- ratios
- materials costs
- any other costs that are not %s of personnel

Large Home, Major cost drivers for increases in rates:

1) Teacher permit level/salary level:

Tier 3 Staff Level	Per FTE cost	Tier 4 Staff Level	Per FTE cost	Tier 5 Staff Level	Per FTE cost
CD Assoc permit	\$43K	CD permit	\$48K	Master Teacher permit	\$53K
TOTAL COST	\$43K		\$48K		\$53K

2) Teacher Assistant permit level/salary level:

Tier 3 Staff Level	Per FTE cost	Tier 4 Staff Level	Per FTE cost	Tier 5 Staff Level	Per FTE cost
1 with no permit level (min wage)	\$34K	1 with CD Assoc permit	\$43K	1 with Teacher permit	\$48K
1 with no permit level (min wage)	\$34K	1 with no permit level (min wage)	\$34K	1 with no permit level (min wage)	\$34K
TOTAL COST	\$68K		\$77K		\$82K

3) Owner/Director salary/draw

- Increase by 5% for Tier 4 and by 10% for Tier 5

No change in:

- Other staff costs
- ratios
- materials costs
- any other costs that are not %s of personnel