



SAN FRANCISCO
HUMAN SERVICES AGENCY

OECE FY21-22 & FY22-23 Budgets

Human Services Agency

The Office of Early Care and Education Citizens

Advisory Committee Meeting

January 21, 2021



Mayor's FY21-22 & FY22-23 Budget Projections

Citywide Projected Shortfall (in Millions)	FY21-22	FY22-23
Total Revenue Increase	(117.6)	268.5
Total Expenditures	(293.6)	(510.6)
Salary & Benefits:	(150.8)	(233.4)
Baselines & Reserves:	(54.4)	(157.7)
Departmental Costs:	(67.0)	(111.2)
Citywide Uses*:	(21.4)	(8.2)
Cumulative Shortfall	(411.1)	(242.1)
*Citywide Uses include: general operating increases (e.g. minimum wage, utility rates, and debt service), and capital/equipment/IT investments.		



Mayor's Budget Drivers

- Slow revenue growth in FY21-22; accelerating growth in subsequent years
 - Transfer, hotel, sales, and business taxes most negatively impacted
 - Does not include impacts of December 2020 or subsequent Federal stimulus/relief measures
 - Propositions I (Real Estate Transfer Tax) and L (Overpaid Executives Tax) sources of new future revenue
- Salary and Benefits – assumes MOU and CPI-based wage increases in future years
- Citywide Costs
 - COVID-19 response (Shelter-in-Place hotels and feeding services)
 - Debt & capital, inflation on non-personnel
- Reliance on one-time sources in short-term driving up deficit in out-years



Mayor's Budget Instructions

- Departments to reduce ongoing General Fund budgets by 7.5% in both FY21-22 and FY22-23
- For HSA, this translates into reductions of:
 - **\$7,328,543 in FY21-22**
 - **\$7,328,543 in FY22-23**
- Departments should not grow FTE counts
- Prioritize core services and programs, and present clear tradeoffs
- Emphasize Mayoral priorities of recovery and equity



Federal And State Budget Context

- State revenues better in FY20-21 than forecasted
 - Robust income tax from high-wage earners
 - Strong stock market
- Aid caseload growth slower in FY20-21 than expected
 - CARES Act stimulus and unemployment benefits increase helped
 - December stimulus bill may continue effects of CARES Act
- Many funding allocations higher than expected in FY20-21 due to prioritization of safety net services
 - Medi-Cal, CalFresh, CalWORKs
 - Based on the Governor's Budget, Allocation levels should improve in FY 21-22
- Year-end federal COVID relief bill included an est. \$1 Billion to California for child care; the State has not released plans yet for this funding. There is also potential for further federal child care relief in the new Biden administration.



ECE for All (“Baby” Prop C) Spending Strategy

- Pending litigation remains a threat to account for.
- Funding strategy must balance one-time funding with smaller projected ongoing funds.
- Strategy must also consider the larger organization strategic planning, as well as other sources of funding, such as the depletion of other funds, like the one-time ERAF funding.



Baby Prop C Spending

- In December the Board of Supervisors approved \$42 million of Baby Prop C dollars be released from reserve.
- The release of this funding enables OECE to make critical investments including:
 - \$25 million for the Economic Recovery Grant and Loan initiative;
 - \$10 million to expand subsidies for enrollment at City-funded sites;
 - \$3 million to support families receiving emergency supports through the FRCs;
 - \$1.3 million to provide additional resources to ECE educators; And
 - \$0.5 million to increase the Office's capacity necessary to effectively manage expanded programming and increased distribution of resources.



OECE Budget Priorities

- OECE is **prioritizing ECE system stability and targeted investments in capacity** to address consequences of our uncertain economy threaten by the pandemic.
 - **The economic toll of the pandemic on the General Fund and PEEF projections** eliminates guarantee of CODB's and/or rate increases, which prior budgets afforded.
 - **Our ECE community's hard-fought Baby Prop C funding will prove critical** in the face of falling revenues and the depletion of one-time funding such as ERAF.
- **Specifically, OECE current planning addresses:**
 - Enrollment outlays through the MRA and **subsidy programs are kept whole**; And,
 - Ramp up existing investments in **compensation for the ECE workforce**.



OECE FY21-22 & FY22-23 Budget Timeline

- Dec 17 Mayor's Budget Instructions Released
- Jan 21 OECE CAC meeting– First OECE Budget Meeting
- **Feb 10 CPAC meeting– Second OECE Budget Meeting**
- Feb 22 Agency Proposed Budget due to Mayor
- June 1 Mayor submits budget to Board of Supervisors
- June Board of Supervisors Budget Committee Hearings
- July Budget Considered at Board of Supervisors

