



OECE FY21-22 & FY22-23 Budgets

Human Services Agency
The Office of Early Care and Education CPAC
2nd Public Budget Presentation
Feb. 10, 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.



Early Childhood System Budget Fiscal Years 2021-2023

Baby Proposition C Spending Strategy

- Strategies must consider the long-term vision and joint strategic planning for our early childhood system, as well as other sources of funds.
- Consider depletion of one-time ERAF funds and balancing with smaller projected ongoing funds.
- Pending litigation remains a threat to account for.



Baby Prop C Spending (FY21)

- The Board of Supervisors approved in December 2020, \$42 million of Baby Prop C dollars be released from reserve, enabling critical investments:
 - \$25 million for the Economic Recovery Grant and Loan initiative;
 - \$10 million to expand enrollment at City-funded sites;
 - \$3 million to provide our families most in need to receive emergency supports through the Family Resource Centers;
 - \$1.3 million for CARES 2.0 to ECE educators; And
 - \$0.5 million to increase the Office's capacity to effectively distribute new/added resources.

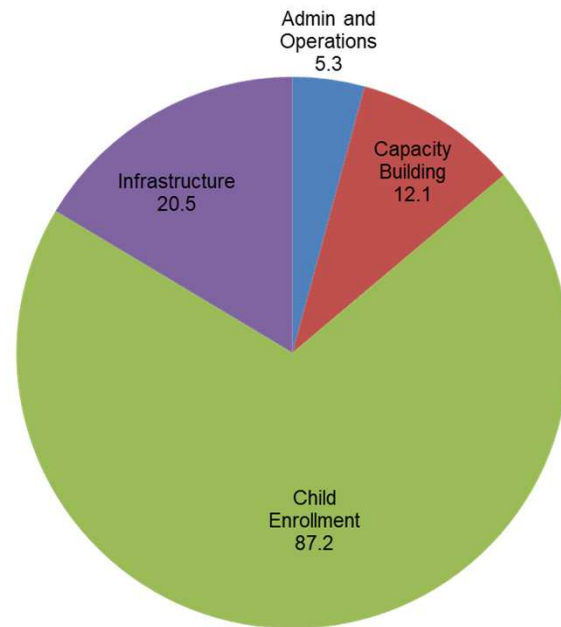
OECE Budget Priorities

- **Prioritize ECE system stability and targeted investments in capacity** during 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:**
 - Child enrollment is maintained with planned growth and **subsidy programs kept whole**; And,
 - Ramp up existing investments in **compensation for the ECE workforce**.

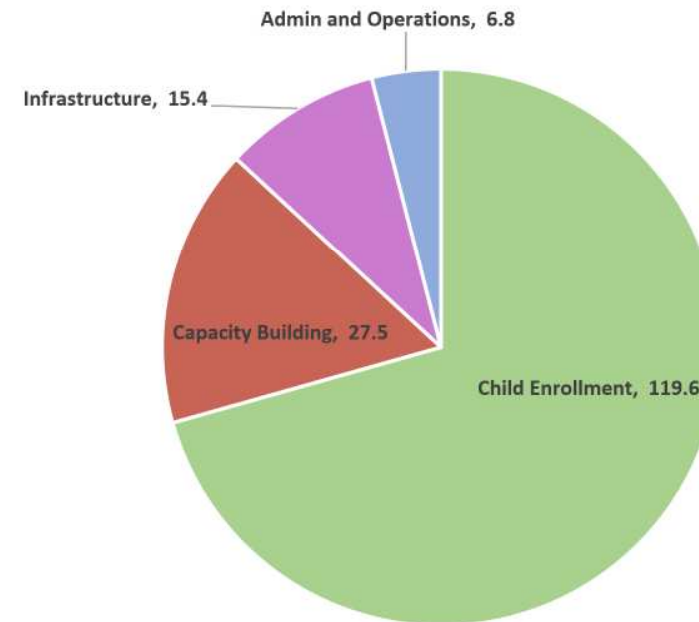


Budget Proposal FY21 vs. FY22 Comparison

**OECE FY20/21 Proposed
(125 Million)**



**OECE FY21/22 Proposed Expenditures
(~\$169.3 million total)**



Note: This was the proposed amount in Feb. 2020

OECE Expenditure Major Changes

General Fund Target Cuts

- OECE's share of the HSA target General Fund cut is roughly \$1.8 million.
- Following Mayoral budget instructions, our strategies must be informed by equity and have minimal to no impacts to services.
 - Uses non-General Fund revenue where necessary & incorporates reduced Stage 1 matching need into budget projections.
 - **Note:** this still assumes caseloads above the last two fiscal years, while more modest than prior pre-pandemic models. Stage 1 is still an entitlement.

OECE Expenditure Major Changes

Additional Outlays

- Invest in CARES 2.0 teacher stipend and possibly other compensation strategies, from \$16.3 million to \$25 million.
- Maintain local funded investments in child enrollments and expand capacity by using \$35 million from Baby Prop C funds.
- Review staffing capacity to roll out new initiatives and re-bidding of existing services and supports.
 - In concert with First 5 SF with our joint strategic and organizational planning centered in racial equity and community engagement strategies; and
 - Impact on grant management and evaluation capabilities for increased early childhood portfolio of new and future programming initiatives.

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