

LEGISLATIVE DIGEST
(Fourth Draft, dated 6/23/2014)

[Charter Amendment – Children and Youth Fund, Public Education Enrichment Fund, Our Children, Our Families Council, Rainy Day Reserves]

A proposal to the voters to amend the Charter of the City and County of San Francisco to: (1) extend the Children’s Fund for 25 years and increase the set-aside from 3 cents to 4 cents over a 4-year period; (2) extend the Public Education Enrichment Fund for 26 years; (3) create an Our Children, Our Families Council and require preparation of a Children and Families Plan; (4) create a City Rainy Day Reserve and a School Rainy Day Reserve out of the existing Rainy Day Reserve; and (5) make various technical and administrative changes to the Funds, at an election to be held on November 4, 2014.

Summary

The proposal is a Charter amendment that would extend the Children’s Fund for 25 years and increase the set-aside from 3 cents to 4 cents over a 4-year period, extend the Public Education Enrichment Fund for 26 years, create an Our Children, Our Families Council and require preparation of a Children and Families Plan, and create a City Rainy Day Reserve and a School Rainy Day Reserve out of the existing Rainy Day Reserve. The proposal is entitled the “Children and Families First Initiative.” The individual components of the proposal are discussed below.

Children’s Fund: Existing Law

In 1991, the voters first created in the City Charter a “Children’s Fund,” which receives a set portion of the property tax each year. The current amount of the set-aside is 3 cents for each \$100 of assessed property value. The Children’s Fund is used to increase services for children under 18 years of age, including child care, health services, job training, social services, educational programs, recreational and cultural programs, and delinquency prevention services.

The Department of Children, Youth and Their Families, which reports to the Mayor, administers the Children’s Fund. The Mayor also appoints a 15-member Children’s Fund Advisory Committee. The Charter sets a three-year planning cycle for spending money from the Fund.

The Children’s Fund and the property tax set-aside are set to expire on June 30, 2016.

Children's Fund: Amendments to Current Law

The proposal would change the name of the Fund from “the Children’s Fund” to “the Children and Youth Fund.”

The proposal would extend the Fund and the property tax set-aside for 25 years, until June 30, 2041.

The proposal would increase the property tax set-aside a quarter cent each year for four years, from the current 3 cents for each \$100 of assessed property value to 4 cents for each \$100 of assessed property value in fiscal year 2018-2019 and thereafter. The proposal would not increase or otherwise change the property tax rate; it would only affect how the City may spend the tax.

The proposal would allow the City to use the Fund to provide services to Disconnected Transitional-Aged Youth, as well as to continue to provide services to children younger than 18 years. “Disconnected Transitional-Aged Youth” are youth, 18 through 24 years old, who: are homeless or in danger of homelessness; have dropped out of high school; have a disability or other special needs, including substance abuse; are low-income parents; are undocumented; are new immigrants and/or English Learners; are Lesbian, Gay, Bisexual, Transgender, Queer, and Questioning (“LGBTQQ”); and/or are transitioning from the foster care, juvenile justice, criminal justice or special education systems. The proposal would also set a spending baseline for services to Disconnected Transitional-Aged Youth based on what the City spent in fiscal year 2013-2014. The City would be required to continue spending this amount each year, adjusted for inflation, for these purposes, separate from the set-aside for the Fund.

The proposal would change the current three-year planning cycle for spending from the Fund to a five-year cycle, and set out additional steps in the cycle.

The proposal would replace the current Advisory Committee for the Fund with a new Service Provider Working Group.

The proposal would create an eleven-member Children, Youth and Their Families Oversight and Advisory Committee to participate in the planning process and oversee the Department of Children, Youth and Their Families and administration of the Fund. The Mayor and the Board of Supervisors would appoint the members of the Committee. The Board of Supervisors would set the structure and further functions of the Committee by ordinance.

Public Education Enrichment Fund: Existing Law

In 2004, the voters created in the City Charter a “Public Education Enrichment Fund” (“the PEEF”). The Charter requires the City to make a specified contribution to the PEEF each

year. The annual contribution, which was approximately \$77.1 million for fiscal year 2013-2014, is adjusted each year for increases or decreases in discretionary General Fund revenues for the year.

The Charter requires the City to disburse money from the PEEF each year as follows:

- One-third of the PEEF to the San Francisco Unified School District (“the School District”) for arts, music, sports, and library programs;
- One-third to the First Five Commission for universal pre-school programs for 5 year-olds in San Francisco; and,
- One-third to the School District for general education purposes.

The PEEF, and the requirements for the City’s annual contributions to and disbursements from the PEEF, are set to expire on June 30, 2015.

Public Education Enrichment Fund: Amendments to Current Law

The proposal would extend the PEEF, and the City’s annual contributions to and disbursements from the PEEF, for 26 years, until June 30, 2041.

The proposal would change the current allocation for universal preschool for 4 year-olds to an allocation for universal early education for 3 to 5 year-olds, but still give priority to 4 year-olds. This early education portion of the PEEF could also be used to develop services for children from birth to three years old. The proposal would move oversight of the program from the First Five Commission to the City’s Office of Early Care and Education. The proposal would also create a citizens advisory committee for this portion of the PEEF.

The proposal would delete the City’s ability to count in-kind services to the School District to satisfy its obligations to make contributions to or disbursements from the PEEF. The proposal would also delete the City’s authority to defer up to 25 percent of its contributions to and disbursements from the PEEF in years in which the City projected a revenue shortfall of \$100 million or more.

And the proposal would delete obsolete provisions on identifying possible structural savings to the City budget to offset contributions to the PEEF.

Children and Families Council: Existing Law

The City currently does not have a Children and Families Council.

Children and Families Council: Amendments to Current Law

The proposal would create a Children and Families Council (“the Council”) to advise the City on the unmet needs of children and families in San Francisco and on priorities, program

goals, and best practices for addressing those needs through the creation of a Children and Families Plan for the City.

The Mayor would chair the Council, and would invite the Superintendent of the School District to serve as a co-chair of the Council. Other members of the Council would include the heads of City and School District departments, and members of the community. The Board of Supervisors would adopt an ordinance further addressing the structure and functions of the Council.

No later than July 1, 2016, and every fifth year after that, the Council would prepare and adopt a Children and Families Plan for the City, which would include a comprehensive assessment of City policies and programs, both public and private, addressing the needs of children and families in San Francisco, and policy level recommendations for making the City more supportive of children and families. The proposal would declare it to be City policy to provide enough funding for the Council and its staff to carry out their duties.

Nothing in the proposal would limit the control of the City and the School District over their own program and funding decisions.

Rainy Day Reserve: Existing Law

The City has a Rainy Day Reserve Fund (the "Reserve"). In any year when the City collects over five percent more money than it collected in the previous year, the City deposits half of this money in the Reserve. The City may only take money out of the Reserve when it collects less money than it did in the previous year. The City may give up to one quarter of the money in the Reserve to the San Francisco Unified School District (the "School District") when the School District collects less money per student than in the previous year and plans significant layoffs, but the City is not required to give the School District the money.

Rainy Day Reserve: Amendments to Current Law

The proposal would divide the existing Rainy Day Reserve into a City Rainy Day Reserve (the "City Reserve") and a School Rainy Day Reserve (the "School Reserve"). In any year when the City collected over 5 percent more money than it collected in the previous year, the City would deposit half of this money in the two reserves, with three quarters of that amount going to the City Reserve and one quarter going to the School Reserve. So in a year when the City's revenues grew by more than 5 percent over the previous year, for every \$100.00 the City collected over that threshold, it would deposit \$37.50 in the City Reserve and \$12.50 in the School Reserve.

Under the proposal, the School District would have the right to withdraw, and the City would be required to pay out, money from the School Reserve in years when the District expected to collect less money per student than in the previous year and would otherwise have to layoff a significant number of employees to balance its budget. Generally, the School District could only withdraw up to half the current balance in the School Reserve but no more than the

amount of the anticipated revenue shortfall. But the School District could, by a two-thirds' vote of the School Board, decide to withdraw a larger amount for a given year or to make a withdrawal in a year when there was not a projected revenue shortfall or a significant number of layoffs. The School District's withdrawal would still be limited to the amount in the School Reserve.

Upon adoption of the amendment, the City would transfer half the balance of the existing Rainy Day Reserve to the City Reserve and half to the School Reserve.

Repealing Charter Section 4.133

The proposal would also, as a clean-up measure, repeal Charter Section 4.133, which created the Taxi Commission in 1998. The Board of Supervisors and the Mayor dissolved the Taxi Commission and transferred its functions to the Municipal Transportation Agency in 2008 under Charter Section 8A.101(b). But because Section 4.133 was approved by the voters, the City needs voter approval to remove it from the Charter, even though it no longer is law.

n:\legana\as2014\1400385\00936015.doc