



FUNDING THE NEXT GENERATION

MEMO ON OPTIONS FOR CREATING A BASELINE BUDGET FOR CHILDREN'S SERVICES Nov. 2015

Below are a range of different options, based on California precedent, for a restriction in an ordinance or ballot measure that would preserve a "baseline budget" or require a "maintenance of effort" for children's services in a jurisdiction when new funding is being added or set aside for children's services:

First, here are three examples that restrict the use of tax proceeds or monies set aside in a fund:

The City of Watsonville's Measure G, which was adopted in June 2014: "Maintenance of Effort. The City Council shall not use Public Safety Sales Tax Measure funds to replace General Fund operating budget contributions for the Police and Fire Departments. The baseline maintenance of effort budgets for this purpose shall be the Fiscal Year 2013-2014 Adopted General Fund budgeted City contribution amounts for Police and Fire operations. The Police Department Fiscal Year 2013-2014 Adopted General Fund operating City budget contribution amount is \$12,359,924; and the Fire Department Fiscal Year 2013-2014 Fund operating City budget contribution amount is \$5,672,299."

City and County of San Francisco's Children's Fund measure: "Monies from the Fund shall not be appropriated or expended for services that received any of the funds included in the higher of the Controller's baseline budget covering July 1, 2000-June 30, 2001 appropriations, or the Controller's baseline budget covering July 1, 1999-June 30, 2000 appropriations, whether or not the cost of such services increases. Nor shall monies from the Fund be appropriated or expended for services that substitute for or replace services included or partially included in the higher of the two baseline budgets, except and solely to the extent that the City ceases to receive federal, state or private agency funds that the funding agency required to be spent only on those services. ..."

Mendocino County/Measure A: "The revenues collected from this tax shall be used only to supplement existing expenditures for public libraries and shall not be used to supplant existing funding for the support of public libraries."

This jurisdiction chose to impose the restriction as a required finding for an annual audit of expenditures: Alameda County/Measure N: Require audit to make "the determination that the monies from this Measure are being used to supplement, and not supplant, unrestricted general fund revenue so appropriated to schools to serve pupils in grades 9 through 12 based on fiscal year 2014-2015 funding."

Many jurisdictions have followed a formulation that restricted a jurisdiction's ability to levy the tax, or receive tax proceeds, as applicable, if the jurisdiction did not maintain spending levels. This preserves discretion for the governing body to formulate its general fund budget as it wishes, albeit with an eye toward potential consequences. Here is one such example, from the City of LA's 2010 Library Parcel Tax:

"MAINTENANCE OF EFFORT.

(a) Proceeds from the Special Tax shall not be used to supplant the level of the City's funding, as defined in subsection (b) below, appropriated from the General Fund to the Library Fund and contributed toward Library Department indirect costs (the Maintenance of Effort Requirement). For any fiscal year, the City may only levy the Special Tax if the City's Maintenance of Effort Requirement has been met. Whether the City meets the Maintenance of Effort Requirement for any particular fiscal year shall have no effect on the

Maintenance of Effort Requirement for subsequent fiscal years. If the City does not levy the Special Tax for a fiscal year, the Special Tax shall not be assessed and shall not be collected.

(b) For any fiscal year, the Maintenance of Effort Requirement shall be met if the City's General Fund appropriation to the Library Fund, not including financial support required under Charter Section 531 (a), aggregated with the City's contribution to Library Department indirect costs is at least \$23 million or 50% of the Library Department's indirect costs, whichever is less. Library Department indirect costs shall include, but are not limited to, Library Department health, dental, pension and utility costs."

This approach was also taken by City of Oakland in its Measure Y parcel tax for new police officers ("No tax authorized by this Ordinance may be collected in any year that the appropriation for staffing of sworn uniformed police officers is at a level lower than the amount necessary to maintain the number of uniformed officers employed by the City of Oakland for the fiscal year 2003-2004 (739).")

A stronger formulation of a provision along these lines created a tax that would self-destruct if the council chose to reduce funding below 90% of a baseline: Town of San Anselmo/Measure B: "The express purpose of this tax is to augment funding currently provided by the Town of San Anselmo, and not to supplant or replace such funding. Therefore if, during the term of the tax set forth in Section 8-7.03, the Town should determine that conditions warrant a reduction in its annual funding of the Library, the tax will continue to be levied only if Town funding of the library remains above 90% (ninety percent) of the amount budgeted for 2008-2009, which is \$420,000. If the Town Council adopts a budget that reduces funding below that amount, this Chapter will immediately become invalidated in its entirety and the tax will no longer be levied."

Here is a softer example, allowing for the baseline to be reduced if state/federal funding disappears: City of LA/Prop A: "Proceeds from the Special Tax may not be used to supplant the level of funding previously committed for the programs to be funded with the Special Tax (the Maintenance of Effort Requirement). For any fiscal year, the City may only levy the Special Tax if the Maintenance of Effort Requirement has been met; provided however, that the Maintenance of Effort Requirement shall be reduced in direct amount for any loss of previously allocated state and/or federal grant funding. For Fiscal Year 2008-09 approximately \$24 million has been budgeted for programs comparable in purpose to those which will be funded with the Special Tax. The Maintenance of Effort Requirement shall be defined as \$24 million for Fiscal Year 2008-09 and shall adjust for each fiscal year thereafter by the percentage change to the general fund."

Finally, an even softer formulation, allowing for across-the-board proportionate reductions in general fund spending for any reason: County of Santa Barbara/Measure S (2010): "In order to receive their full share of the tax proceeds for a given fiscal year, the County, cities, and fire districts must maintain their baseline front-line law enforcement and fire protection General Fund expenditures. However, an agency may reduce their baseline funding in a percentage no greater than those reductions made to all other non-safety General Fund departments in a given fiscal year."