

BUDGET MEMORANDUM

FY 2026-2027 Proposed Budget | Summary of Major Program Area Changes in Annual Appropriation

TO: Mayor's Budget Office

FROM: Department of Early Childhood

DATE: February 20, 2026

RE: FY 2026-2027 Budget Proposal — Program Changes Across DEC Program Areas

I. Purpose

This memorandum provides the Mayor's Office and Board of Supervisors with a concise overview of significant program changes proposed in the Department of Early Childhood's FY 2026-2027 budget submission.

II. Context

DEC's FY2026-27 and FY2027-28 proposed budget reflects the department's ongoing commitment to maintaining the trajectory of San Francisco's national leadership in early care and education. The budget provides for deliberate and strategic use of all resources to improve student outcomes and set young children up for success in life. DEC's spending plan builds upon a strong foundation, including the following successes in FY2024-25:

- **Impact - 69% of kindergartners met readiness standards** (K-readiness), an all-time high, following 4 consecutive years of growth. The racial achievement gap narrowed.
- **Affordability - 9,152 children enrolled in Early Learning for All** (ELFA) free and reduced tuition program, an all-time high. Infant and toddler enrollment has grown by 135% and now exceeds preschoolers.
- **Workforce - 3,175 educators saw their compensation increase.** In the highest-need centers, average wages have grown by 42% to 53%. Elsewhere, educator stipends have provided more than \$13,000 per year.
- **Developmental Health - 7,382 children received developmental screening, an increase of 29%.** Early Connections launched to connect children with developmental concerns to services. Kindergarten readiness for children with disabilities has increased 4 years in a row to an all-time high.

III. Budgetary Changes

DEC proposes a FY2026-2027 and 2027-2028 budget of \$349,873,821 and \$342,750,696 respectively, representing a cumulative change of 0.4% from FY2025-2026 through FY2027-2028.

DEC's budget submission for annual appropriation remains consistent on a funding and programmatic basis with the current year budget and does not propose any major reallocation, increase or decrease of existing program funds. DEC is still a young department and has only recently ramped up programming to spend its full budget. Therefore, per part (a) of the budget request, DEC does not plan the winddown of any major programs, (b) major new programs in the annual appropriation request, or (c) changes to service level due to changes in annual appropriations. Due to the expiration of Ordinance 135-25 allowing the City to temporarily modify the OECE baseline, there are changes in sources of funds. The shifts between Prop C interest, PEEF fund balance and general fund do not impact programming.

IV. Babies and Families First Fund Spending Plan

This budget submission must be considered in conjunction with DEC's spending plan for the Babies and Families First Fund balance ("Baby Prop C") where the department has executed major expansion of key programs in conjunction with the Mayor's Family Affordability Priorities.

In January, Mayor Lurie launched a Family Opportunity Agenda to make San Francisco more affordable for families. Under his Family Opportunity Agenda, he announced that every family with kids under five will have access to affordable child care, making San Francisco the first city in the U.S. to achieve that goal. In addition, he announced that DEC will be expanding use of Babies and Families First to fund operations beyond the annual appropriations. Thus, DEC is implementing the major program increases delineated below to make "the City more affordable and livable for families, strengthening our social safety net":

- **Early Learning for All (ELFA)** — DEC is expanding the program further by providing subsidies to families earning up to 200% AMI. In addition to expanded family subsidies, DEC will continue to grow the provider network by onboarding new early care and education programs and investing in capacity-building, quality improvement, and professional training and development to ensure that expanded access is matched by high-quality programming across the system.
- **Early Educator Workforce** — DEC continues to invest in early educators, recognizing that a high-quality early childhood system depends on a stable, fairly compensated workforce. This budget proposes sustained investments in educator wages, professional development, and career pathways that enable early childhood professionals to grow and thrive in the long term.
- **Child Health** — DEC is proposing programming that integrates health and developmental support into early childhood settings, connecting families to pediatric, mental health, and developmental screening resources.
- **Inclusion / Infant & Toddler** — DEC is prioritizing expanded access for children with disabilities and developmental delays, as well as increased investment in infant and toddler programming — the most underfunded and highest-need segment of the early childhood continuum. This investment includes support for teachers to earn specialty education credits and certifications in these critical areas.

In support of this expanded Family Affordability programming, DEC projects to use \$20-30 million in fund balance to support operations across FY2026-2027 and FY2027-2028.