

PARENTAL LEAVE: FUNDING FOR NONPROFITS
San Francisco Human Services Network
June 17, 2016

The San Francisco Human Services Network (HSN) requests that the City allocate funding to cover the costs of San Francisco's new Paid Parental Leave ordinance for nonprofit employees working on City contracts and nonprofit childcare facilities receiving City money or serving city-subsidized children.

The Board of Supervisors recognized the potential impact of these costs on nonprofit services. Their legislation included language asking the Controller and the Office of Labor Standards Enforcement (OLSE) to estimate compliance costs for nonprofit contractors by June 1, 2016, and to recommend policy or budget options that would enable the City to subsidize these costs through the annual budget.

Due to a lack of data, cost estimates are somewhat speculative, but the Controller's estimate ranges as high as \$720,000 a year. (This estimate includes non-General Fund contracts but not childcare.) Because the Ordinance phases in over a three-year period, **we ask that the City set aside a reserve fund of \$225,000 in FY16-17 and \$600,000 in FY17-18.** In the future, this amount can be adjusted based on actual usage of the fund, assuming an outreach process to educate departments and nonprofit contractors about the availability of funding.

- We believe that paid parental leave is good public policy for San Francisco families, including our employees and the people that we serve.
- HSN's concern is the collective impact of unfunded mandates for San Francisco nonprofit employers, particularly those with City contracts. Over the past 15 years, our organizations have absorbed the costs of:
 - Two minimum wage measures that will increase wages to \$15/hour by 2018:
 - The Minimum Compensation (MCO) Ordinance for contractors, which also includes a paid-time-off requirement;
 - The Health Care Accountability Ordinance requiring health insurance for employees working on City contracts;
 - The Health Care Security Ordinance requiring health benefits for other employees, and which has been amended twice to make such expenditures irrevocable; and
 - Paid sick leave requirements.
- Nonprofit staff tend to skew young, so even a small organization could easily incur thousands of additional dollars in unpredictable annual expenditures under the new parental leave law.
- Unlike business, nonprofits cannot raise our prices to comply with these mandates. If the City doesn't provide additional funding, we must absorb the added costs. The only way to do that is to cut programs and services, and this challenge worsens over time with each new mandate.
- Precedent exists for funding nonprofit contractors' compliance costs. The Mayor's Office has recognized similar concerns by pledging to fund the incremental cost of minimum wage increases over the next few years. The MCO also addresses this issue by freezing the nonprofit wage rate if the City does not provide funding.

HSN is asking the City to adopt a new principle to address the impact of unfunded mandates on nonprofit services and infrastructure. It is time to acknowledge the hardship these laws impose and the hollowing-out effect on organizations and services on which the City relies via contracts and grants. If the City contracts to provide a service, and then passes laws that increase the cost of providing that service, the City should increase the available funding. We urge the City to establish a mechanism to provide funding when government-funded nonprofit employees use their parental leave benefits.