California HOPE, OPPORTUNITY, PERSEVERANCE, AND EMPOWERMENT (HOPE) for Children Trust Account Program: Report Summary

SUMMARY

Assembly Bill 156 (*Chapter #569, approved September 27, 2022*) created the HOPE Act (the Act) within the Welfare & Institutions Code to help close the racial wealth gap and confront the issue of intergenerational poverty by creating a new financial investment tool specifically catered to vulnerable children throughout the state. The HOPE Program shall provide a trust account to eligible children who were bereaved by COVID-19 during the public health emergency, as well as children who have been in the foster system for over 18 months.

The Act required the HOPE Board (Board) to coordinate with a working group comprised of various experts and deliver a report to the Legislature, by February 1, 2024. The report has been completed, and includes the implementation plan, best practices to administer the program, and how to engage community partners for optimal, ongoing program enrollment. The report also highlights key information about future statutory and regulatory needs, as well as potential sustainable revenue sources - including philanthropy, needed to meet the goals of the Board.

The report further details how the Board will work to administer the program and its funds to promote wealth and asset building for eligible youth, and to address California's record levels of inequality through financial resources and services coupled together.

BACKGROUND:

Thousands of children in California lost their parents or primary caregiver to COVID-19. This sudden loss leaves children without a safety net and the resources they rely on to help them grow into happy, healthy adults.

Similarly, foster children who have been in the system for an extended period also have no financial safety nets or supports in place to give them the chance to grow their wealth and experience financial autonomy.

Studies further show that when young people learn they are receiving an investment, it changes their outlook about their future potential and can help further positive choices that bolster children's chances at successfully building wealth and becoming financially independent, contributing members to their communities and the state.

KEY TAKE-AWAYS

- The program is designed to meet the Act's mandate to maximize participation in the program for California's most vulnerable youth: Foster and COVID-bereaved children.
- A first-of-its-kind program to include COVID-bereaved children.
- Reaching COVID-bereaved children will require an alternative to auto-enrollment. The report describes this process.
- Existing funds for accounts have been invested to grow while regulatory and statutory changes continue and will enable more accounts upon launch.
- An implementation timeline indicates account funding as early as July 2025 with assets representing a potential value of $4,500 per participant at age 18.
- Approximately 58,000 total accounts will be created and funded in the first year.
- The program is designed for future expansion to ensure all children born into poverty in California can access and participate in the state's economy.

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ASSETS, ACCESS, AND AUTONOMY

FEBRUARY 1, 2024

THE CALIFORNIA HOPE, OPPORTUNITY, PERSEVERANCE, AND EMPOWERMENT (HOPE) FOR CHILDREN TRUST ACCOUNT PROGRAM'S

2024 REPORT TO THE DEPARTMENT OF FINANCE AND LEGISLATURE

OFFICE OF THE CALIFORNIA STATE TREASURER

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This report was prepared pursuant to Welfare and Institutions Code section 18997.55 for the California Department of Finance and the California Legislature by Pa'lante Collaborative Services, a consulting firm contracted by the California Hope, Opportunity, Perseverance and Empowerment (HOPE) for Children Trust Account Program, with contributions from and in collaboration with the HOPE Board, the HOPE Advisory Workgroup, HOPE program staff, and the State Treasurer's Office.

OVERVIEW

The California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Program, established through Assembly Bill 156 (Chapter 569, Statues of 2022) and codified in Chapter 16.1 (commencing with section 18997.5) of the Welfare and Institutions Code (HOPE Act), aims to close the racial wealth gap and confront the issue of intergenerational poverty by creating a new financial investment program specifically catered to vulnerable children throughout the state (HOPE Program).

The HOPE Act requires the HOPE Program board of directors (HOPE Board) to develop the investment policies, oversee the administration of the HOPE Program, and advise the Treasurer on relevant data related to ongoing program enrollment. The HOPE Act required the Treasurer to convene an advisory working group through the Treasurer's Office to advise the HOPE Board by February 1, 2023. It also directs the HOPE Board to report to the Department of Finance and the Legislature, by February 1, 2024, information about future statutory and budget allocations needed to meet the goals of the HOPE Program and potential expansion to all foster youth and children born into low-income circumstances.

This report includes all of the requirements itemized in section 18997.55 of the Act, specifically:

- A detailed plan for implementing the program and establishing and maintaining HOPE trust accounts for an eligible child or eligible youth that maximizes their participation and their autonomous wealth-building capacity,
- The anticipated number of HOPE trust accounts to be opened and initial deposit amounts,
- A description of the efforts to be used to solicit philanthropic or nonstate money to support the program, and,
- Further statutory and budget allocations.

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EXECUTIVE SUMMARY

The Problem: Children with Financially Insecure Futures

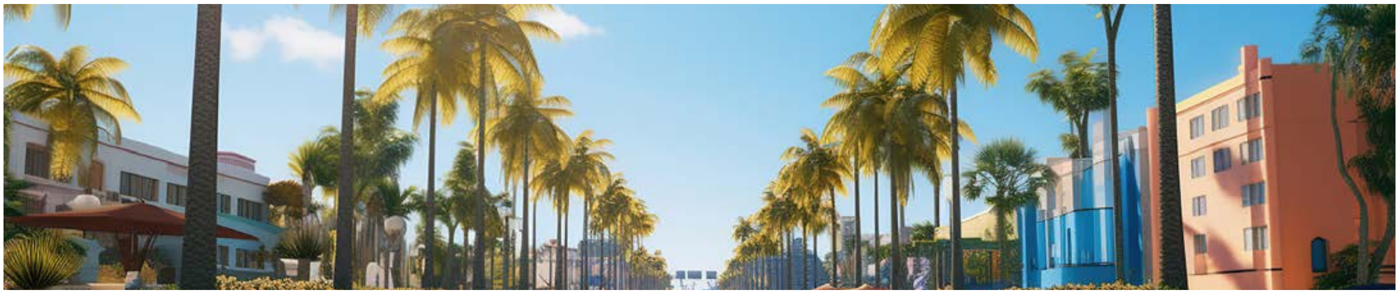
Thousands of California's children in low-income families lack access to wealth, which studies show is the biggest predictor of future financial success, even more so than simply making higher wages. **Access to wealth is what California's new Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account program seeks to provide to approximately 58,500 of California's most financially vulnerable children: children in low-income families who have lost a parent or guardian to COVID-19 and children who have been in the state's foster system for longer than 18 months.**

The Solution: Create Assets. Bridge Access. Bolster Autonomy.

Effective September 27, 2022, the California HOPE Act (AB 156) established the HOPE Fund within the state Treasury with a one-time budget appropriation of $100 million plus an expected $15 million in ongoing annual appropriations. When it launches in 2025, the HOPE program will provide each eligible child with their own economic asset: an account held in trust that will receive annual deposits from the Fund and grow to $4,500 by the time the child reaches 18, upon which time they have the option to withdraw the funds, or leave them invested for up to another eight years. They must withdraw the funds by the time they are 26 years old. Funds left in accounts after age 26 will be forfeited and returned to help capitalize other participant accounts.

[The HOPE Act] shall be construed liberally in order to effectuate its legislative intent of **creating opportunities, economic autonomy,** and **hope,** and to promote intergenerational wealth and asset building for an eligible child and eligible youth as one of the many strategies California must employ to reverse our state's record level of inequality.

The California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Act, Added by Stats. 2022, Ch. 569, Sec. 57. (AB 156) Effective September 27, 2022



Access to More than Money

Through partnerships with local government and vetted community-based partners, HOPE will also provide youth program participants access to financial planning and management services so that they can make the best possible economic choices with their assets given their circumstances and opportunities. This will include, but not be limited to, financial mentors and coaches they can ask questions of in real time and garner advice on asset-building techniques and tools to help grow their investment. As stated in Welfare and Institutions Code section 18997.5, the intended impact of the HOPE Program is to create "opportunities, economic autonomy, and hope, and to promote intergenerational wealth and asset building" as one of the many strategies California must employ to reverse our state's record level of wealth inequality.

"Baby Bonds" & Child Trust Accounts: Assets Created to Boost Financial Autonomy

Creating assets, providing access to financial planning and management services, and strengthening participant's economic autonomy are the three pillars of the HOPE Program, one of the country's first statewide child trust account programs. Child Trust Account programs and their sister "Baby Bonds" programs are designed to address wealth inequities, particularly the racial wealth divide, by providing the largest investments for children from households with the least wealth, disproportionately consisting of communities that have been systemically prevented from accumulating wealth through slavery, expropriation of Indigenous land, redlining, residential segregation, immigration restrictions, and exclusion from prior wealth creating programs that excluded people of color, like the GI bill. Baby Bonds, as their name alludes to, typically start from birth, while child trust accounts may be seeded to any minor that meets the criteria for the program. In HOPE's case: this initial cohort are the children bereaved by COVID-19 and the long-term foster youth as noted previously.

The HOPE Community

This report lays out the plan for implementing the HOPE program. The plan is a result of a nine-month collaborative process between the HOPE Board, its staff, and the HOPE Advisory Workgroup, a statutorily-created body of over forty subject matter experts, including representatives of agencies named by the statute as necessary to the development of the program. It also includes insights from members of the HOPE Youth Panel of Experts, a group of twelve young people ages 15 to 21 years old who have spent at least 12 months in the foster care system or have lost a parent to COVID-19.

Best Practices

The HOPE Program's design includes best practices such as automated enrollment by the state to simultaneously maximize participation and to reduce (and in many cases eliminate) the burden and associated costs of application that would otherwise fail children in the foster system and children from low-income families who have lost at least one parent to COVID-19. California's program will also provide assets to children who meet eligibility criteria now and can use the funds immediately, much sooner than comparable programs like Connecticut's and Washington D.C.'s, which are creating accounts only for newborns who won't be able to access benefits until they reach eighteen years old.

HOPE Accounts

Most of the money in the HOPE Fund must be used to establish and fully fund HOPE trust accounts for eligible program participants. Only 5% of total appropriations may be used to fund operations of the HOPE Program. All assets of the HOPE Fund and money allocated to individual HOPE trust accounts shall be considered property owned by the state until an eligible youth withdraws or transfers money from their HOPE trust account into their own account.

Governed by Experts

To launch in 2025, HOPE will contract an investment consultant who will work with the HOPE Board to create an investment plan that meets the specific and unique needs of the Program and help hire investment managers. Investment managers, in turn, will ensure a maximum return on investments within acceptable risk limits while safeguarding the necessary liquidity that will allow program participants to exercise their right to withdraw funds in a timely manner. The investment manager will also ensure that the HOPE Fund is set up to allow for and inspire additional investment and expansion as required by the HOPE Act. This means ensuring that the Fund can accept grants, gifts, additional appropriations or other moneys in any amount and with the ability to have the funds targeted to specific subgroups, as defined by the entity giving, granting, or appropriating the funds, provided that they are not limited in such a way that would conflict with the intent of the Legislature in establishing the program.

Trauma-Informed Approach

In addition to investment managers, program managers must be hired to ensure that HOPE program participants receive trauma-informed customer service since many of them will have faced tremendous loss, including the death of a parent or removal from their families of origin without likelihood of reunification. HOPE program participants are also more likely to be undocumented, impacted by the carceral system, multi- and non-English monolingual youth, victims of or vulnerable to identity theft, homeless, or have other comparable manifestations of intersecting multiple socially and economically marginalizing forces. These children may often be hard to reach and stay in touch with over time.

HOPE Regulations

The HOPE Board must also develop regulations to guide investment and program management and protect program participant rights and benefits. The process for issuing these regulations will begin in the middle of 2024 with sufficient time for public consideration and comment. Several statutory changes will also be needed, including measures to exempt HOPE account funds from being counted for the purposes of state taxation and means-tested state and county programs, indexing the funds to inflation, including participation in extended foster care after leaving foster care. Otherwise, the hoped-for impact of providing wealth would be diminished by the reduction of other resources which the HOPE program participant would otherwise qualify. Too often programs unintentionally disincentive low-income participants from saving or investing to grow their wealth; HOPE plans to counter this antiquated process by making this part of the mission.

Recommendations to the Legislature

Finally, the HOPE Board recommends that the Legislature explore how the HOPE Program could be bolstered to further promote intergenerational wealth and asset building for California's children through the legislative considerations made throughout this report.

I.

INTRODUCTION

The California HOPE Program will provide a valuable asset to thousands of California's most financially vulnerable children

Childhood Poverty

Access to wealth is the most significant predictor of the future financial success of a child. [1] Yet the opportunity to build wealth is out of reach for children growing up in poverty. Despite decades of statewide economic growth, nearly a third of Californians, including over 1.5 million children, are living in or near poverty. [2] This lack of wealth falls heaviest on Black and Latine children who experience poverty at rates of 17.8% and 19.5% respectively, compared to 7.2% for non-Hispanic white children. [3] Similarly, non-citizens experience disproportionately high poverty at more than twice the rate of the U.S.-born population (24.4% vs. 11.2%). [4]

COVID-19 Impacts on Childhood Poverty

During the COVID-19 pandemic, child poverty more than doubled from 5.2% to 12.4% from 2021-2022, the largest one-year increase ever. COVID-19 has disproportionately impacted Latine/Hispanic and African Americans ages 18 to 34, as well as women and immigrants in low-wage jobs. [5] Due to long-standing wealth and income inequalities among these populations, they had fewer resources to fall back on when the COVID-19 pandemic abruptly reduced their incomes, be it due to illness, mandated shutdowns, or both. Children who lost a parent or primary caregiver are particularly vulnerable.

There are an estimated 8,000 to 10,000 children who have lost one of their parents or legal guardians died from COVID-19 and whose household income, prior to that person's death, was low enough to qualify them for enrollment in MediCal for Kids. [6] For these kids, their low household income and lack of wealth is compounded by the loss of a parent. Studies show that children who have lost a parent ("bereaved children") are at higher risk of academic failure, depression, alcohol and substance misuse, violent crime, suicide attempts, suicide, and premature death from any cause, and may have a higher likelihood of becoming incarcerated youth. [7]

> **The development of wealth in low-income communities, also known as asset building, is a central element of California's strategy to reverse economic inequality and close the racial wealth gap.**

[1] The Russell Sage Foundation Journal of the Social Sciences, August 2021, Vol. 7, No. 3, Wealth Inequality and Child Development: Implications for Policy and Practice (August 2021), pp. 154-174; Georgetown University Center on Education and the Workforce, Born to Win, Schooled to Lose: Why Equally Talented Students Don't Get Equal Chances to Be All They Can Be, 2019.

[2] Bohn, S., Danielson, C., Kimberlin, S., Malagon, P., Winer, C., Poverty in California, October 2023, Public Policy Institute of California (PPIC)

[3] California Department of Public Health, Center for Family Health, Maternal, Child and Adolescent Health Division, Children in Poverty Dashboard, Last Modified February 2023. go.cdph.ca.gov/Children-in-Poverty-Dashboard. The authors use the term "Latine" in this report in place of the gendered term "Latino." Latine is the preferred term by Spanish speakers. See, Garcia, T. (2022, October 12). Latino, Latinx, or Latine? What young people of Latin American descent think about these terms. Teen Vogue. https://www.teenvogue.com/story/latine-vs-latinx-what-young-people-think

[4] Posted on September 12, 2023 by Stephanie Liem | Anti-poverty Strategies. (2023a, September 12). Census data underscores that poverty is a policy choice. End Child Poverty in California.

[5] Health, D. of P. (n.d.). Covid-19 age, race and Ethnicity Data. Age, Race and Ethnicity Data; California's labor market in the time of COVID-19. UC Berkeley Labor Center. (2022, May 20).

[6] Kidman R, Margolis R, Smith-Greenaway E, Verdery AM. Estimates and Projections of COVID-19 and Parental Death in the US. JAMA Pediatr. 2021;175(7):745–746.

[7] Mulheron, J., Chapman, A., Greenway-Smith, E., & Verdery, A. (2022). (issue brief). America's Forgotten Orphans An Urgent Call for the White House and Congress to Address Childhood Bereavement. Evermore.

Foster Youth and Childhood Poverty

Another population plagued by lack of wealth is the foster youth community. In California, the high cost of living creates an additional barrier to success upon leaving the foster system for the 70.4% of foster youth who live below the poverty line. [8] These systemic barriers are a leading factor to 31% of transition-age foster youth experiencing homelessness. [9] Unfortunately, without sufficient support, foster youth are vulnerable to incarceration; a study conducted by the Children's Data Network and the California Department of Justice found that 43% of individuals arrested/booked before age 25 had faced childhood abuse or neglect. [10] Meanwhile, the proportions of Black and Native American youth in foster care are around four times larger than their share of the California youth population overall. [11]

Children who are in foster care for over 18 months and no longer receiving parental reunification services ("long-term foster children") are least likely to be adopted, which means they will most likely transition from foster care into adulthood. Statistically, they are more likely to have 50% lower earnings and 20% lower employment rates by age 26 as compared to a sample of young adults with similar levels of education. As one-third experience homelessness. [12]

HOPE for California Youth

The California Hope, Opportunity, Perseverance, and Empowerment for Children Trust Account Act (HOPE Act) was created to address these disparities. The HOPE Act's explicit goals are to "create opportunities, economic autonomy, and hope, and to promote intergenerational wealth and asset building for [eligible youth] as one of the many strategies California must employ to reverse our state's record level of inequality." [13] The HOPE Act created the HOPE for Children Trust Account Program, the second state-sponsored program in the country (Connecticut created its program in 2021) to offer Baby Bonds: publicly funded trust accounts for children from low-wealth families that they can access once they become adults.

Wealth, more than income, can facilitate economic autonomy

[8] Johnson, A. (n.d.). How tax filing benefits foster youth - JBAY.org.

[9] Alternative Family Services. (2022, March 31). 35 Foster Youth Homelessness Statistics You should know.

[10] Eastman, A. L., Foust, R., Prindle, J., Palmer, L., Erlich, J., Giannella, E., & Putnam-Hornstein, E. (2019). A Descriptive Analysis of the Child Protection Histories of Youth and Young Adults Arrested in California. Child maltreatment, 24(3), 324–329.

[11] Legislative Analyst's Office . March 22, 2023. Update on analysis and key questions: Racial and Ethnic Disporportionalities and Disparities in California's Child Welfare System

[12] Bald, Anthony and Doyle, Joseph John and Gross, Max and Jacob, Brian A., Economics of Foster Care (April 2022). NBER Working Paper No. w29906.

[13] Welfare and Institutions Code section 18997.5. Eligible youth include long-term foster children and children from low-income households who have lost a parent or guardian to COVID-19 or long COVID.

The development of wealth in low-income communities, also known as asset building, is a central element of California's strategy to reverse economic inequality and close the racial wealth gap. It is reflected in programs aimed at helping people purchase a home, start businesses, and save for retirement. Despite some progress, California still has one of the country's worst levels of income inequality, with the highest-income families making over 11 times more than the poorest. [14] The state's wealth inequality is even worse with 20% of all net worth concentrated among just 2% of Californians. [15]

Income Defined

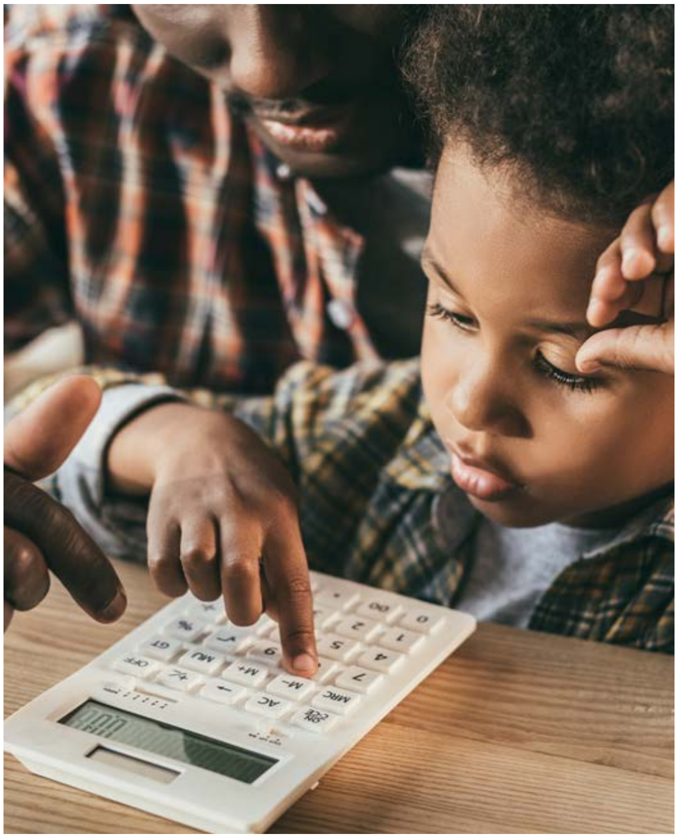
Income refers to the amount of money an individual receives through employment, returns on investments, government assistance or other source of money whereas wealth is the total value of all assets they own, including property, investments, and savings minus their debt. Income is what most people use to pay for everyday needs like rent, groceries, clothes, and medicine. Assets are resources with economic value that one owns. They include personal property, like real estate or financial instruments like savings accounts, and can grow in value such as through the accumulation of interest in a savings account or because of increased market value in the case of real estate.

Benefits of Wealth

Wealth provides insurance against sudden decreases in income, as happened to many during the COVID-19 pandemic and can buffer risks that come with many growth opportunities, such as starting a new career. Wealth can also be passed down from one generation to another, such as may happen when a family member provides down payment assistance or leaves money for an inheritance. Wealth provides stability and facilitates economic autonomy – the ability to make economic choices with less financial risk- that income alone cannot.

The HOPE Program will provide assets in the form of HOPE Trust Accounts, commonly known as Baby Bonds.

The HOPE Program is designed on the model of Baby Bonds tailored to California's unique needs and resources. Conceptualized in modern form by economists Darrick Hamilton and William Darity, Baby Bonds are designed to address wealth inequities, particularly the racial wealth divide, by providing the largest investments for children from households with the least wealth, disproportionately consisting of communities of color (or BIPOC communities) that have been systemically prevented from accumulating wealth through slavery, expropriation of Indigenous land, redlining, residential segregation, immigration restrictions, and exclusion from prior wealth creating programs like the GI bill.



[14] Person, T., Payares-Montoya, D., & Herrera, J. (2023, November 13). Income inequality in California. Public Policy Institute of California.

[15] Person, et al. 2023

Historical Roots

An early version of Baby Bonds was established in the United Kingdom, which created its Child Trust Fund program in 2005. [16] In the last decade, economists and policymakers have built on the success of that model and introduced local, state, and national legislation, including the American Opportunity Accounts Act (AOAA), first introduced by Senator Cory Booker in 2018 and re-introduced in 2021. Connecticut and Washington DC were the first to pass state or district-wide legislation, in 2021, California's HOPE Act passed in 2022, and several other local jurisdictions are developing their own models, including New York City's COVID-19 Children's Fund , which, like California, is aiming at serving COVID-impacted youth. [17]

"Baby Bonds" & Child Trust Accounts

The central idea behind Baby Bonds is that children born into low-wealth families who receive publicly funded trust funds held for them until adulthood can use those funds to build wealth in the future. Backed by research that such accounts can close the racial wealth gap, [18] California's model also builds on the results of hundreds of guaranteed income programs across the state and the country which found that financial infusions, completely autonomous spending discretion, and helpful financial planning and related services help struggling households find a way out of poverty with creativity, flexibility, and dignity. [19] California's model goes beyond babies – aiming to serve youth from 0 – 17 at the time of the federally declared pandemic – creating a true Child Trust Account program that aligns with the "baby bond" model and mission. The evidence that no-strings cash assistance works is overwhelming; such programs have reduced homelessness, increased employment, bolstered the mental-health outcomes of participants, and are improving local public health outcomes. [20]

HOPE will provide assets and access to financial management services to promote economic autonomy.

HOW MUCH?

Through the HOPE Program, every low-income COVID-bereaved and long-term foster child will receive an account that will receive state-funded deposits annually with the goal of reaching $4,500 when they turn 18. The amount of funds each participant accrues may vary based on when they turn 18. For instance, youth turning 18 in 2025 will receive $4,500, while younger children with more time before they reach 18 will receive a smaller initial deposit. Participants who will reach 18 in the distant future may receive more than $4,500, as the goal is to ensure that each participant has the purchasing power equivalent to $4,500 in 2025, adjusted for inflation.

> **I want to go to college and become a nurse. I'm a person who will use federal assistance for my schooling, so I think this program is a good idea.**
>
> – Jessica, *HOPE Program Youth Retreat #1*

[16] The Child Trust Fund program served children born between 2002 and 2010.

[17] Gaudino, L. (2023, May 11). 16,000 NY Kids lost a parent to covid - how this new "baby bonds" bill could help. NBC New York.

[18] Urban Institute. (2023, October 4). Baby bonds would reduce racial wealth inequities. Here's what policymakers need to know.

[19] See, for example, the Stockton Economic Empowerment Demonstration (SEED), the country's first modern guaranteed income program, which removed material barriers to full-time employment and created capacity for goal setting and risk-taking once basic needs like food and utilities were covered. https://www.stocktondemonstration.org/employment

[20] Venutolo-Mantovani, M. (n.d.). Universal basic income is working - even in Red States.

More Than Money – Services Help Achieve Autonomy

Simultaneously, each child will be offered free and incentivized financial planning and related services provided through vetted volunteer, community-based, and government-backed programs to help them learn about ways they can use their HOPE account funds to launch their economic dreams. This model of funds plus support will ensure that each child can develop their own supported strategy to leverage the state's investment in their success without restrictions that could make the funds difficult to use. [21]

The HOPE for Children Trust Account Program will provide individual accounts to every child of any age who, as of September 27, 2022, has:

- Lost a parent or guardian to COVID-19 during the federally declared public health emergency (January 31, 2020 to May 11, 2023) or any time since as a consequence of long COVID and whose household income before the decedent's death was low enough to qualify the child for MediCal benefits,
- Been placed into California or tribal foster care for over 18 months and is no longer receiving parental reunification services, or
- Been placed into foster care after age 16 and parental reunification services have been terminated.

Children who remain eligible will receive annual deposits to ensure they receive $4,500 (in 2025 dollars) upon age 18 (more if additional funds become available).

Funds may be left to grow in the accounts until the participant reaches age 26. Funds not withdrawn by age 26 will be returned to the state.

Every beneficiary will receive age-appropriate financial planning and related supported services via partnerships with state and local government and community-based partners, from enrollment through age 30.

[21] Requiring that funds be used to purchase a house could have this effect now that the average downpayment on a home in California is over $84,000. Vukelich, L. (n.d.). Average down payment on a house. Bankrate.

HOPE is Scalable

The implementation plan included in this report is designed to ensure that the HOPE program first and foremost meets the needs of the two cohorts of eligible children named in the HOPE Act– long-term foster children and COVID-bereaved children from low-income families. However, it is important to note that California baby bond advocates, led by those who inspired and helped ensure the passage of the HOPE Act, envision a future where all California children born into poverty will have this type of investment. Delivering on that aspiration would significantly reduce the state's inequality and racial wealth gap, help meet the state's north star of breaking the cycle of intergenerational poverty, and foster widespread economic prosperity more generally.

Established through legislation championed by Senator Nancy Skinner (D-Berkeley/Oakland), the HOPE Act allows the HOPE program to be structured so that it can be expanded as necessary in the future. For example, the Act requires there be "a way for grants, gifts, appropriations or other moneys to the HOPE Trust Account Program to be made in any amount and with the ability to have the funds targeted to specific subgroups, as defined by the entity giving, granting, or appropriating the funds, provided that they are not limited in such a way that would conflict with the intent of the Legislature in establishing the program." [22] Additionally, the Act requires that this report, which is required to be submitted to the legislature by February 2024, include an implementation plan that includes "a description of the efforts to be used to solicit philanthropic or nonstate moneys to support the program," and "further statutory and budget allocations." [23] The potential built into this program is immense, and HOPE staff will continue to explore ways to bolster philanthropy and maximize this potential. One idea that is being vetted more is the eventual establishment of a HOPE Foundation to help create significant, long-term revenue sources in order to eventually be able to create trust accounts for all children born into poverty in California.

As a result, this report includes discussions, decisions, and recommendations that would support the expansion of HOPE eligibility to all California children born into poverty. In addition, the implementation plan is built so that it can be scaled for possible expansion if and when additional resources become available. The authors of this report believe that, in coordination with the state's other strategies for economic equity and expansion, the HOPE program can become a powerful wealth-building force for the nearly 16% of children born in poverty in California, the world's fifth-largest economy. [24]

[22] WIC section 18997.52

[23] WIC section 18997.55

[24] USAFacts. (2023, June 20). Which states have the highest child poverty rates?

A The HOPE Program adheres to best practices while tailoring the Baby Bonds model to California's needs

The idea of Baby Bonds has existed since President Franklin D. Roosevelt issued the first savings bonds in 1935

Best Practices

California's HOPE Program design follows the best practices for Baby Bonds as identified by *the Urban Institute* and *Prosperity Now*, two of the nation's leading Baby Bonds expert think tanks.[25] First, the program will shoulder the administrative burden of identifying and enrolling as many eligible children as possible without requiring them to apply. To accomplish this, program administrators will work with state agencies to access existing records rather than asking children or their families to secure documents that may be expensive and otherwise hard to provide, while maximizing and prioritizing the youth's data privacy. Children who are eligible but not enrolled automatically will be invited to provide only the most basic information to initiate the enrollment process. Streamlining enrollment in this way will maximize participation more efficiently and with less hassle for program participants.[26] Enrollment of long-term foster children will be more streamlined than that of low-income COVID bereaved children since the state's foster system keeps detailed records of the children in their care while no government agency has been assigned the responsibility for tracking children bereaved by COVID. To find them, HOPE staff will work through interagency partnerships and data- sharing agreements with multiple government and community partners to identify the surviving children of people who have passed away from COVID-19 and verify their income eligibility.

A Better Way

Second, the children's accounts will be publicly funded without relying on household contributions. Reliance on household contributions in the United Kingdom's Childrens Trust Funds, an early model for current US Baby Bonds programs, was shown to skew impact in favor of children from higher income households.[27] Instead, HOPE accounts will be funded through the HOPE Fund which will be invested and managed within the guidelines of California's investment policies to ensure a balance of growth and maximize safety, liquidity, and yield to ensure that children who reach 18 and gain access to their accounts can withdraw from them as needed.

[25] Brown, M., Biu, O., Harvey, C., Shanks, T., The State of Baby Bonds, Urban Institute, February 2023; Markoff, S., BABY BONDS: A Legislative Toolkit for Building a Brighter Future in Your State, Prosperity Now.

[26] Ambegaokar, S., Nueberger, Z., &; Rosenbaum, Center on Budget and Policy Priorities, D. (2017, November 2). Opportunities to streamline enrollment across public benefit programs. Center on Budget and Policy Priorities.

[27] Shaikh, N. (2023, July 24). Can children's savings accounts programs build wealth? What the UK child trust fund program can tell us. The Aspen Institute.

Third, in contrast to programs that are investing only in newborns, California's HOPE program will be immediately available to eligible children who turn 18 at any time. HOPE will, therefore, be able to track use and impact sooner than other programs and can learn from early evaluations for later program improvement and potential expansion.

A Meaningful Amount

Fourth, the amount of projected funds that participants receive, the equivalent of $4,500 in 2025 dollars, is substantial enough to make a material difference in their lives, especially when coupled with individualized financial planning services. While $4,500 is a modest amount of wealth, especially in light of the fact that the average downpayment for a home in California is now over $84,000, it is substantial enough to stabilize the financial footing of HOPE's youth program participants at an age where they have few other sources of wealth and are likely to already have debt that threatens their wealth building prospects. Consider, for example, that, one in 5 students attending California's community college (and 1 in 20 students attending University of California schools) report experiencing homelessness.[28] For the majority of students attending postsecondary institutions in California, where the average two-bedroom apartment now rents for over $2,800, the cost of housing, fees, books, and transportation often exceeds tuition itself.[29] Meanwhile, 16% of 18- to 24-year-olds of color in California already have debts in collections, including delinquent medical debt, student loans in default, past due auto, retail, and credit card, averaging $1,160.[30] An infusion of $4,500 (or the equivalent amount for participants who will be receiving funds in future years) can help HOPE program participants eliminate debt, stabilize housing options, and increase access to wealth building options. In addition, program participants will have the option to keep the funds invested longer in the HOPE Fund until they turn 26, letting it earn a return for an additional eight years.

Unrestricted, But Not Alone

Finally, HOPE builds on the success of state and federal cash infusion programs, like the wildly effective now-expired federal Child Tax, by not restricting the use of funds to a narrow set of traditional wealth building activities like purchasing a home. This is important in a state where the average home purchase price has hovered around three-quarter million dollars in recent years and the average age of new homeowners is 49 years old and rising.[31] Instead, the HOPE program follows through on the HOPE Act stated legislative intent of maximizing economic autonomy. In the HOPE program, the young people who participate in the program, not their families or the state, will be the ultimate beneficiaries and decision-makers about their wealth and future. Each participating youth will be counseled on financial planning and receive help finding additional resources they may qualify for so that they can devote HOPE funds to the best possible use that will secure their personal economic future. Research has demonstrated that these types of programs work to narrow the racial wealth gap, and even further, the research shows when a child sees an investment made in them, regardless of scale, it instills confidence and can lead youth to make decisions that bolster their chance for a more successful, financially secure future.[32]

[28] Commentary, G. (2022, May 4). College students shouldn't have to worry about housing. CalMatters.

[29] Person, Cook, K., & Jackson, J. (2023, October 12). Keeping college affordable for California students. Public Policy Institute of California.

[30] Debt in America: An interactive map - apps.urban.org. https://apps.urban.org/features/debt-interactive-map

[31] U.S. Federal Housing Finance Agency, All-Transactions House Price Index for California [CASTHPI], retrieved from FRED, Federal Reserve Bank of St. Louis; Wagner, D. (2023, May 9). Homeownership rates are plummeting for younger Californians (and no, it's not about delayed marriage). LAist.

[32] Francesconi, M., & Heckman, J. J. (2016). Child Development and Parental Investment: Introduction. The Economic Journal, 126(596), F1-F27.

Comparison of Select Baby Bonds Programs [33]

	California	Connecticut	Washington, D.C.	Federal (American Opportunity Accounts Act -Proposed) [34]
Eligibility & Enrollment	Auto-enrollment of approximately 58,500 children younger than 18 years old who, as of September 2022, (a) have been in foster care for 18 months or more or (b) have lost a parent or guardian to COVID-19 during the federal public health emergency or since as a consequence of long COVID and their household income before the decedent's death qualified them for Medi-Cal for Children.	Auto-enrollment of approximately 15,000 babies annually beginning on July 1, 2023, whose birth is covered by HUSKY, Connecticut's Medicaid program.	Auto-enrollment of approximately 4,150 babies annually beginning those born in D.C. on or after Oct. 1, 2021, to a family enrolled in Medicaid and making less than 300% of the federal poverty line. [35]	Universal eligibility and enrollment with higher annual deposits for children from families with low incomes.
Funds Per Youth	Between $4,000 -$5,000 in 2025 dollars	$10,000–$12,000	$15,000–$25,000	Up to $50,000
Uses of Funds	Each participant receives access to financial planning to decide the best use of funds given their circumstances and goals.	Education, home purchase, other assets yielding long-term gains to wages or wealth.	Education, home or commercial property purchase, business investment, retirement investment.	Education, home purchase, other assets yielding long-term gains to wages or wealth, no restrictions after the recipient turns age 59.5.
Additional Services	Free, incentivized financial planning services for money management and wealth building.	Required financial literacy training.	$15,000–$25,000	Up to $50,000
Source of Funds	State funds invested for liquidity and growth beginning with $100 million appropriated in FY 2022 plus $15 million in annual allocations already committed beginning FY 2023	$381 million in reserves invested for growth.	$32 million in the first four years from general appropriations.	General fund

[33] Brown, M. et al, The State of Baby Bonds., February 2023.

[34] "S.441 - 118th Congress (2023-2024): American Opportunity Accounts Act." Congress.gov, Library of Congress, 15 February 2023, https://www.congress.gov/bill/118th-congress/senate-bill/441.

[35] McClure, B., (July 12, 2021) Bill 24-0236 Racial Equity Impact Assessment Child Wealth Building Act of 2021. Council Office of Racial Equity.

B Process for Preparing this Report to the Legislature

The HOPE Act requires the HOPE Board to develop the HOPE Fund investment policies, oversee the administration of the HOPE Program, and advise the Treasurer on relevant data related to ongoing program enrollment

Report to Legislature

The HOPE Act first directs the HOPE Board to report to the Department of Finance and the Legislature by February 1, 2024, with information about future statutory and budget allocations needed to meet the goals of the HOPE Program and potential expansion to all foster youth and children born into low-income circumstances. This report includes all the requirements itemized in section 18997.55 of the Act:

- A detailed plan for implementing the program and establishing and maintaining HOPE trust accounts for an eligible child or eligible youth that maximizes their participation and their autonomous wealth-building capacity,
- The anticipated number of HOPE trust accounts to be opened and initial deposit amounts,
- A description of the efforts to be used to solicit philanthropic or nonstate money to support the program, and,
- Further statutory and budget allocations.

Development of Report

Also, per the statute, the HOPE Board created this implementation plan and analysis in consultation with an advisory working group convened through the Treasurer's Office. The HOPE Advisory Workgroup was convened on January 31, 2023, to work in coordination with the HOPE Board on the program design, including, but not limited to, data sharing with relevant governmental agencies and departments, outreach to families of eligible children, and the process for program enrollment and continuous measurement of outcomes of the HOPE trust accounts. [36]

Recognizing the importance of incorporating the voices and perspectives of the communities to be impacted by the program, the Board and Working Group requested that Pa'lante Collaborative Services, the consulting firm contracted for this report create a Youth Panel of Experts.

[36] WIC section 18997.54

HOPE Board Members, along with their respective appointing authority:

- **Fiona Ma**, CPA, State Treasurer, Chairperson
- **Joe Stephenshaw**, Director of Finance
- **Malia Cohen**, State Controller
- **Solana Rice**, Co-Executive Director of Liberation in a Generation, Governor Appointee
- **Shimica Gaskins**, President/CEO GRACE/End Child Poverty in California, Senate Appointee
- **Jamie Lee**, CEO Jamison Group of Companies, Assembly Appointee
- **Michael Tubbs**, Founder of End Poverty in California (EPIC), Governor Appointee
- **Robert Friedman**, Founder, Prosperity Now, Governor Appointee, Advisory member (Nonvoting)
- **Camilla Chavez**, Executive Director, Dolores Huerta Foundation, Governor Appointee, Advisory member (Nonvoting)

HOPE Advisory Workgroup

Over 40 subject matter experts and community leaders joined the Advisory Workgroup, including representatives from the agencies named in the statute as necessary to the design process such as the California Health and Human Services Agency, the State Department of Social Services, the State Department of Public Health, the State Department of Health Care Services, and the Department of Corrections and Rehabilitation. Other participants include community stakeholders with knowledge and experience in poverty alleviation, youth development, access to banking for underbanked individuals, asset building, closing the race-wealth gap, consumer protections, and wealth coaching; representatives of county human services agencies; representatives of county child welfare workers; tribal leaders and representatives of tribal service providers, tribal advocates, and tribal members; and, representatives of the foster youth advocacy community with personal experience in the foster system, as required by statute. [37]

Division of Work

HOPE staff and Members of the Advisory Workgroup organized into four subgroups to tackle the work of designing the program as prescribed by the statute: [38]

1. **Eligibility and Outreach** developed eligibility criteria and the strategies to enroll eligible children and eligible youth beyond the requirements prescribed by statute, including the ability to include individuals without social security numbers or individual tax identification numbers, the responsible agency for determining eligibility, and estimates of likely program enrollees by year.
2. **Data Sharing and Privacy** identified the data and data sharing agreements needed between government entities to identify and enroll eligible children and best practices to protect their privacy under state and federal law.
3. **Funds per Youth and Investments** identified investment products, strategies, risk guidelines, and management requirements to ensure a balance between the safety of the principal, liquidity, and expected yield or return, as well as modeled the possible amounts of investment per program enrollee and the range of financial outcomes.
4. **Administration and Timelines** determined additional necessary administrative components, such as information technology services, recordkeeping, and other services, as well as the ability to use state agency resources or the need for third-party administrators. The group also identified evaluation goals and strategies and established the timelines for implementation of the HOPE Act.

[37] WIC section 18997.54
[38] WIC section 18997.54

Members of the HOPE Advisory Workgroup

- **Alissa Anderson**
  California Budget & Policy Center
- **Patrice Berry** *End Poverty in California (EPIC)*
- **Madeline Brown** *Urban Institute*
- **Christa Brown** *San Francisco Foundation*
- **Salena Chow**
  California Department of Social Services
- **Greg Dawley** *RBCCM*
- S**unni Dominguez**
  Academy for Professional Excellence & Iipay Nation of Santa Ysabel
- **Antionette Dozier**
  Western Center on Law and Poverty
- **Dr. Vickie M. Mays Ph.D., MSPH**
  UCLA BRITE Center for Science, Research & Policy
- **Valerie Earley**
  California Department of Social Services, Children & Family Services
- **Sara Flour**
  Independent Investment Specialist
- **Cynthia Gomez** *CHIRLA*
- **David Grusky**
  Stanford Center on Poverty and Inequality
- **Dianna Bond**
  California Tribal Families Coalition
- **Nicole Hisatomi**
  Department of Financial Protection and Innovation
- **Yesenia Jimenez**
  GRACE - End Child Poverty in California
- **Anna Johnson**
  California Competes: Higher Education for a Strong Economy
- **Joci Kelleher** *Oakland Promise*
- **Sara Kimberlin**
  Stanford Center on Poverty and Inequality
- **Wendy Kinnear**
  Santa Clara County, Department of Family and Children's Services
- **Sarah Larson**
  California Department of Corrections and Rehabilitation
- **Margaret Libby** *MyPath*
- **Shira Markoff** *Prosperity Now*
- **Dana Moore**
  California Department of Public Health
- **Nick Picinich**
  (formerly) California Health & Human Services Agency
- **Barbara Quan**
  Golden 1 Credit Union
- **David Radcliffe**
  Institute on Race, Power, and Political Economy / The New School
- **Angelica Salazar**
  GRACE - End Child Poverty in California
- **Cathy Senderling-McDonald**
  (formerly) County Welfare Directors Association of California
- **Christina Snider-Ashanti**
  Governor's Office of Tribal Affairs
- **Jordan Sosa** (formerly) *California Youth Connection*
- **Kristin Urquiza** *Marked By Covid*
- **Cody Van Felden**
  (formerly) John Burton Advocates for Youth (JBAY)
- **Dr. Naomi Zewde**
  UCLA, Fielding School of Public Health

Meetings throughout 2023

Members of the Advisory Workgroup met over two dozen times with each subgroup, meeting four times, in April, May, June, and September, to conduct its work with an additional joint meeting of the Eligibility and Outreach and Data Sharing and Privacy held at UCLA in July 2023, which focused on identifying the best ways to enroll low-income COVID bereaved children. The entire Advisory Workgroup also met in January, twice in May, June, October, and November to review and further codify the findings and recommendations of each subgroup. Their work was reviewed and considered by the HOPE Governing Board, which met in February, May, August, October, November, and December. Each meeting was publicly noticed and invited public participation per California's Bagley-Keene public meeting rules. [39] Meeting agendas and materials are all available via https://www.treasurer.ca.gov/hope/meeting/index.asp.

HOPE Youth Panel of Experts

In addition, members of the HOPE Board, Advisory Workgroup, and staff agreed that the HOPE program could not be designed without significant direction from a set of youth who were most likely to be beneficiaries of the program. To that end, the HOPE Program consultant worked with leading advocates at Ending Poverty in California (EPIC), Marked By COVID, and GRACE-End Child Poverty in California to recruit twelve young people into the HOPE Youth Panel of Experts (YPE). To protect their privacy, their names and identities are kept confidential except as noted with the permission of those who have reached at least 18 years old.

The YPE includes youth who are or have been in long-term foster care or have lost at least one parent or primary caregiver to COVID and come from low-income households. They range in age from 14 to 21 and include youth who identify as Black/African American, Caucasian/White, Native Hawaiian or other Pacific Islander, American Indian or Alaska Native Islander, and Hispanic or Latine. They are from Sacramento, Kern, Merced, Contra Costa, San Diego, Los Angeles, San Bernardino, and Alameda counties.

Their Stories

Their lived experience reflects what many of the HOPE intended beneficiaries go through as trauma-impacted kids. For example, "Kameron" is a 20-year-old youth who has been in and out of foster care since age 13 and whose family members have all been in and out of incarceration. Shortly before being invited to join the Youth Panel of Experts, Kameron

[39] Government Code section 11120.

independently decided that he was better off leaving his mother's home, where he was exposed to drug use, and placed himself in an independent living shelter for homeless youth. He is now enrolled in community college and participating in self-improvement programs for youth impacted by the carceral system. Other members of the YPE match this young man's fortitude. Consider "Anna," whose mother passed from COVID-19. Now 21, Anna knows she will not qualify for the HOPE Program but is excited that her younger sister will. She was invited to join the YPE after leaving voicemail messages asking about the program when she learned the HOPE Act had passed. Still another YPE member lost one of their adoptive parents to COVID-19 shortly after they and their three siblings were adopted out of foster care. This youth, still under 18 years old, helps take care of their siblings and helps their mom or other family members financially.

Their Impact

Each youth participating in the YPE is excited to help shape how the program will roll out in their community. They are thrilled that the program will offer much-needed funds to kids like them, a source of funds right at "the start of life so they're not looking and scrambling for resources just to survive," as Kameron recently put it. They are just as excited about having the financial planning and management services because, as Anna stated, they are not interested in "living paycheck to paycheck because I know that's a reality for a lot of us. There's simply just not enough money to be able to choose where you spend it. And I think that for me, that's something that I'd really want to be able to do because I think that's something that separates working to survive and then working to be able to live a life." Having known scarcity their whole young lives, they appreciate the value of the combination of funds and supportive services that the HOPE Program will offer. Said Kameron, "I never had resources for food and stuff. Being in foster care and exiting out will be very expensive. So, [this would be] a steppingstone to get on your feet if you use it correctly."

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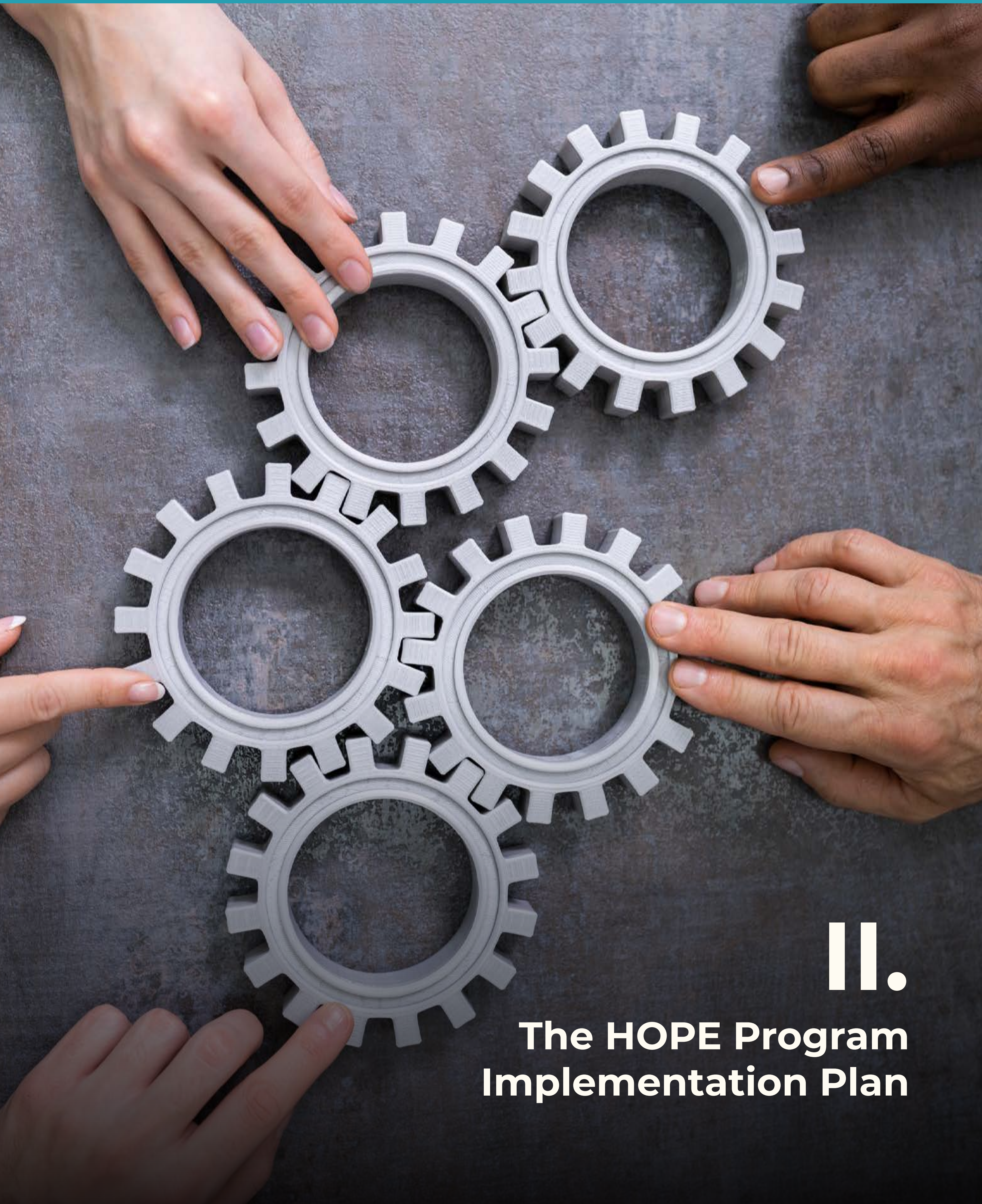


II. The HOPE Program Implementation Plan

The remainder of this report covers the purpose and expected impact of the HOPE Program and includes a detailed implementation plan that will guide the program to its official launch in 2025. It covers all of the topics considered by the Advisory Workgroup including eligibility, outreach,and enrollment, account funding and management,services offered, funds distribution, and evaluation. In addition, it includes a list of recommended statutory changes to ensure the program most effectively creates "opportunities, economic autonomy, and hope," and "promotes intergenerational wealth and asset building" for HOPE-eligible children as "one of the many strategies California must employ to reverse our state's record level of inequality." [40]

2024: Building HOPE

The implementation plan included in this report marks the first major milestone for the HOPE Program's development process. After submitting it to the legislature and the California Department of Finance as specified by statute, the HOPE Board and staff will turn to development of program regulations under the California Administrative Procedure Act (APA) as well as working with legislators to secure statutory changes that will help the program achieve its goals. A legislative clean-up bill, SB 242 (Skinner), has already been introduced in the Senate and may still be amended. Additional recommended statutory changes are included in the last section of this report. While it is impossible to predict unforeseen circumstances that may delay both the regulatory and statutory processes ahead, we anticipate that these will be complete by mid-2025.

[40] WIC section 18997.5

HOPE Program Implementation Milestones

ANTICIPATED DATES	MILESTONES
JANUARY, 2023	HOPE Advisory Workgroup convened
FEBRUARY, 2023	HOPE Board convened
APRIL – NOVEMBER, 2023	HOPE Advisory Sub-workgroups convened
DECEMBER, 2023	Final Board Meeting before HOPE report is submitted
JANUARY, 2024	HOPE report with implementation plan submitted to the legislature
JUNE, 2024	Final passage of statutory changes, including SB 242 (Skinner)
JULY, 2024	Notice of proposed rulemaking issued
JULY – SEPTEMBER, 2024	Public comments and hearings on proposed regulations
SEPTEMBER, 2024	HOPE Board adopts regulations
OCTOBER, 2024	Investment and Program Managers on boarded
NOVEMBER, 2024	Regulations become operative
JANUARY, 2025	Statutory changes, if any, take effect
JULY, 2025	HOPE eligible children enrolled, HOPE accounts created and funded

A Eligibility

Children Eligible for HOPE Trust Accounts are Low-Income COVID Bereaved Youth and Long-Term Foster Youth

Best Practices

The HOPE Program will create accounts for all youth who meet the criteria for eligible children as of September 27, 2022, when the statute became effective. The HOPE Act, as codified in Welfare and Institutions Code Section 18997.51, defines eligible children as:

- **COVID-bereaved low-income children:** Children under 18 whose parent, Indian custodian, or legal guardian died during the federally declared COVID-19 public health emergency and COVID-19 is listed on their death certificate or they died as a consequence of having long-term COVID-19; and the household income before the death of that parent, custodian, or guardian, would have qualified the child for Medi-Cal benefits; and,
- **Long-term foster children:** Children under 18 who have been in foster care for at least 18 months (does not have to be consecutive) or were placed into foster care after age 16 and parent reunification services have been terminated. [41] This includes every dependent child of the court of an Indian tribe, consortium of tribes, or tribal organization who is the subject of a petition filed in the tribal court pursuant to the tribal court's jurisdiction in accordance with the tribe's law and the tribe has notified the department about the child's status as a dependent child under the tribal court. [42]

The statute further extends eligibility to children who do not have social security numbers or individual tax identification numbers. [43] This is to ensure the Program does not unintentionally create wider gaps exacerbated by Federal Survivor Benefits Programs, whose strict eligibility requirements have left behind many of the children HOPE is attempting to reach, including but not limited to children whose deceased parents were immigrants or had much less time working in a job that offered benefits. Long-term foster children who are adopted or become subject to guardianship after being enrolled in the HOPE Program will stop receiving annual deposits 12 months after that but will still be able to access the funds deposited until that date along with any interest that accrues thereafter.

[41] Children are most often placed in foster care after they have been removed from their home by a county child welfare agency, and a juvenile court has found their parents cannot care for them. A child who has been declared a "ward" of the court for committing a violation of law may also be placed in foster care if the court finds that returning the child home would be contrary to the child's welfare. Overview of the foster care system in California - YLC. https://ylc.org/wp-content/uploads/2018/11/Foster-Care-Overview-FACT-SHEET-040116.pdf

[42] California children who have been placed into foster care out of state are still considered residents.

[43] WIC section 18997.54

Finding Eligible Youth

These statutory requirements mean that children who are eligible for a HOPE Account will include populations who may be hard to reach and stay in touch with over time, such as those who are undocumented, indigenous, from low-income and immigrant families, impacted by the carceral system, parents of young children, multi- and non-English monolingual, youth with disabilities or major mental and other health issues, victims of and vulnerable to identity theft, homeless, children of those who were deemed essential workers during the federal COVID health emergency and other highly COVID impacted families, and many others who live at the intersection of multiple and systemic socially and economically marginalizing forces.

> **“With this program, we (the youth) have an opportunity to be seen, heard, and given the chance to be financially free.”**
>
> – Andy, *HOPE Program Youth Retreat #1*

B Auto Enrollment

Enrollment in the HOPE Program will be Automatic by Default

HOPE Accounts Program administrators will bear the duty of identifying participants who are eligible for enrollment using interagency agreements, community partnerships, and other means of verifying eligibility. This is the standard best practice used in other successful savings programs administered under the Treasurer's Office. The Program intends to take great care to avoid burdening eligible children and any surviving parents with limited resources with difficult procedural requirements such as requiring expensive and difficult-to-attain documents that would then need to be copied and mailed or scanned and uploaded. All eligible children must be able to enroll, including and perhaps especially those who lack trusting and reliable relationships with adults in their lives.

Information provided by the California Department of Social Services, which oversees county foster programs, indicates that there were approximately 48,500 children in California who would have met HOPE eligibility criteria between March 2020 and April 2023. Based on this historical data, HOPE is projecting approximately the same number will be found eligible starting the effective date of the HOPE Act, September 27, 2022, through when the HOPE Program is expected to launch in 2025.

Calling on Agency Partners

HOPE will work through an interagency data-sharing agreement with CDSS to auto-enroll all eligible long-term foster children using information available to the agency as a normal part of coordinating the state's foster care system. The agreement will maintain the foster children's confidentiality while providing sufficient de-identified information to allow them to log in to the HOPE portal to verify their accounts. CDSS will inform HOPE of the number of eligible children on an ongoing basis and if and when there are any changes to eligibility status. This will ensure a HOPE account can be created for each eligible child and the proper amount deposited.

Unfortunately, there is no comparable government entity that has kept track of children impacted by the death of parents or guardians due to COVID-19. It is estimated that over 32,500 children in California lost at least one parent or primary caregiver to COVID-19 and are left with significantly reduced financial support. [44] At a joint meeting of the Eligibility and Outreach and Data Sharing and Privacy subgroups of the HOPE Advisory Workgroup, Dr. Emily Greenway-Smith in the Department of Sociology at the University of Southern California in Los Angeles presented her research that indicates that between 8,000 to 10,000 children in California have lost a parent or

[44] Treglia, D., Cutuli, J. J., Arasteh, K., J. Bridgeland, J.M., Edson, G., Phillips, S., Balakrishna, A. (2021). Hidden Pain: Children Who Lost a Parent or Caregiver to COVID-19 and What the Nation Can Do to Help Them. COVID Collaborative.

legal guardian to COVID-19 since the declaration of the national emergency in 2020. An unknown portion of them include children in households who were already in poverty before the parent's death. Until better data becomes available, the Advisory Workgroup recommends using 10,000 as the number of possible income-eligible COVID-19 bereaved children expected to be enrolled beginning in 2025.

Auto-Enrollment and Verification

Auto-enrolling income-eligible COVID-bereaved children will be much harder than auto-enrolling long-term foster kids. To begin, HOPE will partner with the Center for Health Statistics and Informatics ("CHSI") at the California Department of Public Health to look at information found in the death certificates of the approximately 105,000 people who have passed away in California from COVID-19 as well as information found birth certificate data to identify surviving minors. The HOPE Accounts Program will then work through interagency and partnership agreements with the California Department of Education, the Franchise Tax Board, and tribal courts and leaders to locate these children, among others to verify the eligible child's age and household income prior to the decedent's death. Once verified, HOPE will create and deposit funds into the accounts and provide materials to the children and their surviving parent(s) along with information about how to learn more about the account.

C Manual Enrollment

Manual Enrollment will Also be Available as Necessary

Children who may be eligible and have not been notified of a HOPE Account established for them may request manual enrollment at any time. To initiate manual enrollment, an eligible participant or their legal representative will be able to contact the HOPE Program and provide information that will help HOPE administrators verify eligibility via other state agencies, such as the name of a parent or guardian who has died of COVID-19 or long COVID. If necessary, the HOPE Program will work with the National Association for Public Health Statistics and Information Systems (NAPHSIS) to verify death certificate information. HOPE will also accept signed legal attestations to establish eligibility for enrollment where official documents are unavailable given that tribal children, children without SSNs or ITINs, and children whose parent(s) do not have SSNs or ITIN, among others, may not have access to certain government-issued documents or be included in government-created records subject to HOPE Program interagency agreements.

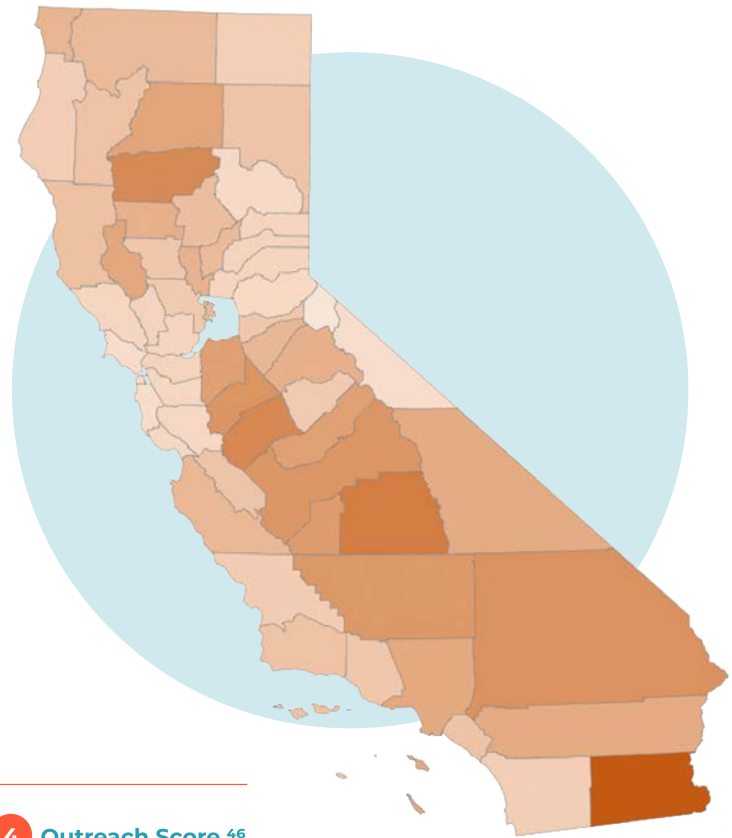
D Outreach

HOPE will Target Outreach Geographically to Enroll Low-Income COVID Bereaved Children

The lack of centralized information about income-eligible COVID-19 bereaved children requires that the HOPE program conduct outreach to ensure each one is located and enrolled. The HOPE program will target outreach resources to California counties that have both a high number of COVID-19 deaths as a percentage of population as well as large numbers of children who are enrolled in MediCal for Children as of the last reporting date. [45]

[45] California Department of Public Health, Covid-19 Time-Series Metrics by County and State (Archived) https://data.chhs.ca.gov/dataset/covid-19-time-series-metrics-by-county-and-state; California Department of Health Care Services, Eligible Individuals Under Age 21 Enrolled in Medi-Cal https://data.chhs.ca.gov/dataset/eligible-individuals-under-age-21-enrolled-in-medi-cal-by-county

Counties with High Concentrations of Both COVID Deaths and MediCal Enrolled Youth as Percentages of Population



This table below lists each county scored by the likelihood of having COVID bereaved children from households with annual incomes low enough to qualify those children for MediCal.

The map illustrates the same information visually with darker shaded counties being those where HOPE will target outreach materials the most.

ROW LABEL KEY

1 County 2 COVID Deaths as of % of Pop 3 MediCalEnrolled Youth as %of Pop 4 Outreach Score [46]

Imperial	0.52%	23.06%	11.88%	Calaveras	0.33%	12.12%	3.94%	Modoc	0.12%	15.91%	1.85%
Tulare	0.33%	26.73%	8.85%	Monterey	0.18%	21.09%	3.84%	Napa	0.14%	11.13%	1.54%
Merced	0.31%	25.39%	7.98%	Sacramento	0.23%	16.24%	3.76%	Nevada	0.14%	10.57%	1.49%
Tehama	0.37%	21.19%	7.75%	Siskiyou	0.22%	16.47%	3.67%	Contra Costa	0.14%	10.59%	1.47%
San Bernardino	0.37%	19.32%	7.12%	Yuba	0.17%	20.83%	3.57%	Solano	0.11%	12.62%	1.37%
Stanislaus	0.33%	20.55%	6.85%	Butte	0.23%	14.41%	3.33%	Sierra	0.16%	8.51%	1.37%
Fresno	0.29%	23.08%	6.78%	Mendocino	0.17%	18.76%	3.10%	Placer	0.17%	7.86%	1.35%
Kern	0.27%	24.29%	6.57%	Trinity	0.19%	15.22%	2.96%	Sonoma	0.12%	11.02%	1.29%
Kings	0.31%	20.22%	6.29%	Santa Barbara	0.17%	17.21%	2.94%	Alameda	0.13%	9.43%	1.22%
San Joaquin	0.31%	18.89%	5.95%	Orange	0.26%	11.35%	2.89%	Santa Clara	0.14%	8.28%	1.20%
Madera	0.24%	24.90%	5.88%	San Benito	0.19%	14.82%	2.80%	Santa Cruz	0.10%	11.02%	1.11%
Shasta	0.34%	15.98%	5.50%	Lassen	0.22%	12.46%	2.78%	El Dorado	0.13%	8.30%	1.07%
Lake	0.25%	20.92%	5.32%	Ventura	0.20%	12.92%	2.59%	Plumas	0.08%	12.70%	1.00%
Los Angeles	0.35%	14.54%	5.15%	Colusa	0.11%	24.24%	2.57%	San Francisco	0.14%	6.74%	0.93%
Riverside	0.28%	17.86%	4.99%	Amador	0.26%	9.79%	2.54%	Marin	0.10%	7.65%	0.76%
Inyo	0.34%	14.43%	4.93%	Mariposa	0.19%	11.98%	2.29%	San Mateo	0.10%	7.53%	0.73%
Glenn	0.20%	22.32%	4.41%	Yolo	0.21%	11.08%	2.27%	Mono	0.06%	11.27%	0.65%
Tuolumne	0.41%	10.83%	4.41%	San Luis Obispo	0.21%	10.00%	2.10%	Alpine	0.00%	2.24%	0.00%
Sutter	0.23%	18.64%	4.27%	Humboldt	0.13%	15.75%	2.02%				
Del Norte	0.23%	18.03%	4.12%	San Diego	0.18%	11.46%	2.01%				

[46] The outreach score is the correlation of the percentage of COVID deaths per population with the percentage of MediCal enrolled children per population.

E Local Partners

HOPE will Provide Outreach Materials through Local Partners

Members of the HOPE Eligibility and Outreach Subgroup have begun to identify COVID researchers, service providers, and support networks to partner with for outreach. The goal is to partner with those that have verified experience providing COVID relief to low-income families and can include community-based nonprofit services providers, tribal and urban American Indian leaders and their social network and providers, community health workers, civic groups, mutual aid societies, religious organizations, funeral directors, community action groups, social welfare institutions, community development, and asset-building organizations both public and private organizations, and legal services providers. All will be asked to operate within a data stewardship agreement of data protection and lessening the stigma for participation in programs and services.

Central to this outreach strategy will be the development of materials that speak effectively to the intended audience: HOPE-eligible children and the adults closest to them. Public education and outreach materials will be created with insight from the Youth Panel of Experts and designed to encourage and facilitate youth enrollment in and engagement with HOPE accounts utilizing themes of opportunity, economic autonomy, and wealth-building capacity. HOPE will also provide outreach materials to government agencies, tribal organizations, and non-profit community organizations to encourage, facilitate, and support child and youth enrollment in the program and on-going support and engagement with HOPE accounts.

F Privacy & Confidentiality

HOPE will Enforce Enrolled Children's Privacy and Confidentiality

The HOPE Program will ensure the deidentification and protection of data so that it cannot be used by anyone except for enrollment and program administration. All family and program information will be held strictly confidential. Data privacy and protection principles will guide interactions with all entities outside the state, federal, and local government. Under no circumstances will the information be sold or used for any other purpose.

For example, all data files and databases containing personally identifying information about program participants will be stored with strict controls regarding who can access storage media. The data will be encrypted using currently approved National Institute of Science and Technology (NIST) algorithms when electronically transferred across an internal network. All computer systems (hardware and software applications) used to store and use data and databases for any reason will be properly secured and maintained with all security patches, upgrades, and anti-virus updates applied as appropriate. All storage media will be inventoried on an annual basis, or sooner as dictated by regulatory or contractual agreements. Wherever possible, physical backup and transfer will be avoided or eliminated in favor of electronic transfer of encrypted backup files.

G Fund Management

The HOPE Fund will be Managed for Growth and Liquidity

The HOPE Act established the HOPE Account Fund in the State Treasury with $100 million appropriated through the fiscal year 2022 budget. [47] **The Fund also receives $15 million every year, through ongoing annual appropriations. To date, $115 million has been received through the California budget process for the HOPE Fund.**

Most of the money in the HOPE Fund must be used to establish HOPE trust accounts for eligible program participants, to provide initial deposits, and any future deposits into the accounts. [48] Only 5% of total appropriations may be used to fund operations of the HOPE Program. [49] All assets of the HOPE Fund and money allocated to individual HOPE trust accounts shall be considered property owned by the state until an eligible youth withdraws or transfers money from their HOPE trust account. [50]

To date, $115 million has been received through the California budget process for the HOPE Fund.

[47] WIC section 18997.53
[48] WIC section 18997.53(c)
[49] WIC section 18997.53(d)
[50] WIC section 18997.53(e)

The HOPE Board has acted to grow the amount of money available in the HOPE Fund by program launch

The Act permits the Treasurer to invest money in the HOPE Fund that is not required for its current needs in the eligible securities specified in Section 16430 of the Government Code. [51] At its meeting in August 2023, the HOPE Governing Board authorized the Executive Director to work with the Treasurer's Investment Division to invest of these funds into approved financial instruments through the Pooled Money Investment Account ("PMIA") under statutory authority granted by Government Code sections 16430 and 16480.4 in order to maximize the amount of funds that will be available to be deposited into HOPE Accounts. The PMIA investment policy sets as primary investment objectives safety, liquidity, and yield. As of October 2023, the HOPE Fund can expect to earn between $5 and $7 million through short-term investments before the program launches in 2025. While this seems modest, extrapolating the amount per account at $4,500 back from this additional influx of monies from investments made shows that the HOPE Program will potentially be able to seed an additional 1,100 – 1,550 accounts from this investment upon its launch. That means HOPE can help an additional 1,550 children in poverty through utilizing the state's investment tools.

SOURCES AND USES OF FUNDS	AMOUNT
FISCAL YEAR 2022	$100 million
FISCAL YEAR 2023	$15 million
FISCAL YEAR 2024 (EXPECTED)	$15 million
FISCAL YEAR 2025 (EXPECTED)	$15 million
RETURN ON PMIA INVESTMENT BY 2025	$ 5 million
(ADMINISTRATION COSTS 2023 THROUGH 2025)	($ 5 million)
TOTAL FUNDS AVAILABLE AT 2025 PROGRAM LAUNCH	**$145 million**

51 WIC section 18997.53(b)

HOPE will contract an investment consultant and manager for the HOPE Fund

In early 2024, HOPE will also select an investment consultant who will work under the general direction of the California HOPE Program Executive Director and with HOPE staff, consultant, Advisory Workgroup, and Board to create an investment plan that will include investment management goals, principles, and policies. The consultant will also help draft a request for proposals from investment managers who will be contracted to manage the Fund's investments and coordinate with the HOPE program manager to fund all accounts.

Investment Management

The investment manager will have multiple responsibilities including ensuring the maximum return on all investments made with HOPE funds and safeguarding liquidity so that all deposits can be made in program participant accounts and those turning 18 and above will be able to exercise their right to withdraw funds for their use. The investment manager will also ensure that the HOPE Fund is set up to allow for and inspire additional investment and expansion as required by the HOPE Act. [52] This means ensuring that the Fund can accept grants, gifts, additional appropriations or other moneys in any amount and with the ability to have the funds targeted to specific subgroups, as defined by the entity giving, granting, or appropriating the funds, provided that they are not limited in such a way that would conflict with the intent of the Legislature in establishing the program. [53]

HOPE and Philanthropy

It may be possible to create a charitable arm of the HOPE Fund that can attract and direct donor funds as well as invest program-related investments. The HOPE Fund could create a charitable organization organized under Gov. Code, §12580 et seq. and 26 USC 501(c)(3); as such, it would be free to receive tax-exempt donations from private individuals, corporations, foundations, and others that could be directed for any purpose desired by the donor and acceptable to the HOPE Board. [54] The charitable arm could also accept program-related investments (PRI), a type of mission-driven investment that, unlike grants, are meant to be repaid but typically at a lower than market rate of return to the investor. [55] That means that the HOPE Fund charitable arm could receive lower than market rate loans or equity investments, invest the proceeds at a market rate, repay the lender or investor at the lower rate, and use the difference to accomplish the goals of the HOPE Fund.

HOPE Board members and staff have begun to educate leaders in California's philanthropic community, including the Senior Advisor for Social Innovation of the Office of the Governor, about the ways that additional private resources are needed to support the mission of the HOPE program. Such resources can be used to increase the amount of money that each program participant could receive, to support outreach strategies, and to sustain ongoing provision of financial planning services to program participants.

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52 WIC section 18997/52(g)(4)
53 WIC section 18997/52(g)(4)
54 See, for example, the UCLA Foundation, which is a California non-profit, public benefit corporation organized for the purpose of encouraging voluntary private gifts, trusts, and bequests for the benefit of the UCLA campus. Responsibility for governance of the Foundation, including in vestments, is vested in its Board of Directors. https://giving.ucdavis.edu/foundation
55 Berliner, P. (n.d.). Frequently Asked Questions About Program-Related Investments, CDFI Fund.

HOPE's Call for Philanthropic Investment and Leadership

Because the HOPE Act requires that all of the money included in the HOPE Fund to be used to capitalize the accounts of program participants, with only 5% of appropriated funds to be used for program operations, it will be necessary to find other sources of funds to provide the financial planning and management services that the HOPE program will offer through community-based partners and allied state and other government agencies.

In addition, HOPE will need to partner with trusted leaders and service providers who are already embedded in communities that have been most heavily and disproportionately impacted by COVID-19, including undocumented and tribal communities, to identify and enroll low-income COVID-19 bereaved children. These include tribal services organizations, churches, mutual aid societies, and peer support networks, which typically operate through volunteer driven and donor-dependent operations budgets, that have supported families who have had to mourn and bury loved ones who were also critical income earners and that have organized to ensure kids and surviving parents are fed and otherwise encouraged to keep fighting for their future. Kids in tribal foster care also qualify for HOPE investments even when they are placed in kinship and informal care which often happens in immigrant communities as well, when close friends and relatives take on community care roles. [56] The HOPE program will support fundraising efforts to support nonprofit providers of kinship care, community-based health workers (often called promotoros/as in Spanish-speaking communities), tribal and similar grassroots services who could be the key to reaching every eligible child who deserves a state funded investment in their future.

Philanthropic investment can also help make real the vision of California as a state that invests in the future of all low-income children. By working to meet the needs of long-term foster youth and low-income COVID bereft children, HOPE program designers are building program infrastructure that is trauma informed and can meet the sometimes complex needs that children have when they are squarely at the intersection of poverty, racism, lack of immigration status, public health crises, and destabilized familial structures. With additional funds, this same infrastructure can be built upon to provide the same services to more children who lack the assets necessary to achieve their best future.

The HOPE Board plans to convene philanthropy CEOs, program officers, donor-advised fund managers, and other potential private donors in early 2024 to begin to formulate a statewide strategy to secure needed philanthropic support.

Board staff will also work with the Treasurer's Office and stakeholders to capitalize on potential grants that have nexus to the HOPE Program – that can include but not be limited to, grants targeted at COVID-survivors, foster youth, and low-income children.

[56] In California's foster care system, kinship care also includes nonrelative extended family members (NREFMs), often referred to as "fictive kin." Relatives are the preferred resource for children who are unable to reside with their birth parents because it maintains the children's connections with their families. A "relative" means an adult who is related to the child by blood, adoption, or affinity within the fifth degree of kinship, including stepparents, stepsiblings, and all relatives whose status is preceded by the words "great," "great-great," or "grand," or the spouse of any of these persons, even if the marriage was terminated by death or dissolution. A relative could also be a "nonrelative extended family member" (NREFM), which is defined as an adult caregiver who has an established familial relationship with a relative of the child or a familial or mentoring relationship with the child. California Department of Social Services Programs, https://www.cdss.ca.gov/inforesources/foster-care/kinship-care

Funds Per Youth

Every HOPE Participant will Receive an Asset Worth $4,500

The HOPE Program is expected to provide each youth program participant with an account that will receive annual deposits and grow to $4,500 for each youth by the time they reach 18 years old.

Amounts Based on Current Trends

The amount of funds that each youth program participant will receive is based on the amount of funds allocated to the HOPE Fund annually and the estimated number of children who will be eligible when the program launches and annually after that. The HOPE Fund will have approximately $145 million available to fund HOPE accounts when the program is expected to be operational in 2025. This is based on the total funds that will have been appropriated through the state budget including that for fiscal year 2025, the expected returns on the short-term investment of funds available as of October 2023, and allows for up to 5% of appropriated resources for operational costs. Based on information provided by CDSS and researchers, HOPE is projecting that there will be about 10,000 income-eligible COVID-bereaved children and the 48,500 long-term foster youth who will be eligible for automatic enrollment at the time of program launch, at various ages as shown in the table on the following page.

Investing for Future Success is Investing in Financial Autonomy

Although HOPE's actual return on investment will depend on unknown future market changes, this plan assumes a minimum of 1% real rate of return (3.7% -4.0% nominal rate). This is a more conservative rate of return than the historical rates of return observed by the closest comparable state program, California Kids Investment and Development Savings Program (CalKIDS) run by the ScholarShare Investment Board. [57] Even at this conservative rate, the HOPE Fund will be able to provide a rate of return that exceeds the historical rate of inflation, which has been 2.7% over the past 20 years. This means that HOPE participants who gain access to their funds farther into the future will receive the equivalent, in purchasing power, as those who receive their funds more quickly.

Older Youth Need More Imminent Access to Assets

To ensure that youth program participants who will soon turn or already have turned 18 at program launch will have access to their funds, it will be necessary to deposit the full $4,500 into the accounts of children who are 12 years old or older when the program launches. Smaller initial deposits can be made for children who enter the program at ages 0-11 combined with additional annual deposits for those children for 8 years after program launch.

[57] California Kids Investment and Development Savings Program (CalKIDS ... www.treasurer.ca.gov. (n.d.). https://www.treasurer.ca.gov/scholarshare/calkids2023.pdf

HOPE Deposits per Youth Modeling Estimates

Annual Deposits Needed for All Children to Receive $4,500 at Age 18 (in 2025 Dollars)

Age at Entry into Program	Estimated Number of Children by Age at Entry into Program	Year in Which Children Turn 18	Amount Each Child Will Receive at Age 18 (2025 Dollars)	Amount Each Child Will Receive at Age 18 (Current Dollars)	Initial Deposit per Child (2025)	2nd Deposit per Child (2026)	3rd Deposit per Child (2027)	4th Deposit per Child (2028)	5th Deposit per Child (2029)	6th Deposit per Child (2030)	7th Deposit per Child (2031)	8th Deposit per Child (2032)	9th Deposit per Child (2033)
0	2,730	2043	$4,500	$6,872	$600	$427	$427	$427	$427	$427	$427	$427	$311
1	2,730	2042	$4,500	$6,665	$600	$427	$427	$427	$427	$427	$427	$427	$351
2	2,730	2041	$4,500	$6,464	$600	$427	$427	$427	$427	$427	$427	$427	$392
3	2,730	2040	$4,500	$6,271	$600	$427	$427	$427	$427	$427	$427	$427	$434
4	2,730	2039	$4,500	$6,120	$700	$427	$427	$427	$427	$427	$427	$427	$368
5	2,730	2038	$4,500	$5,935	$700	$427	$427	$427	$427	$427	$427	$427	$410
6	2,808	2037	$4,500	$5,757	$700	$427	$427	$427	$427	$427	$427	$427	$453
7	2,808	2036	$4,500	$5,584	$700	$427	$427	$427	$427	$427	$427	$427	$496
8	2,808	2035	$4,500	$5,448	$800	$427	$427	$427	$427	$427	$427	$427	$432
9	2,808	2034	$4,500	$5,313	$900	$427	$427	$427	$427	$427	$427	$427	$367
10	2,808	2033	$4,500	$5,154	$900	$427	$427	$427	$427	$427	$427	$427	$412
11	2,340	2032	$4,500	$5,523	$4,197	$0	$0	$0	$0	$0	$0	$0	$0
12	2,340	2031	$4,500	$5,364	$4,239	$0	$0	$0	$0	$0	$0	$0	$0
13	2,340	2030	$4,500	$5,209	$4,282	$0	$0	$0	$0	$0	$0	$0	$0
14	2,340	2029	$4,500	$5,059	$4,324	$0	$0	$0	$0	$0	$0	$0	$0
15	2,340	2028	$4,500	$4,913	$4,368	$0	$0	$0	$0	$0	$0	$0	$0
16	3,218	2027	$4,500	$4,771	$4,411	$0	$0	$0	$0	$0	$0	$0	$0
17	3,217	2026	$4,500	$4,634	$4,455	$0	$0	$0	$0	$0	$0	$0	$0
18+	9,945	2025	$4,500	$4,500	$4,500	$0	$0	$0	$0	$0	$0	$0	$0
Total	**58,500**												
				Annual State Spending:	**$144,986,964**	**$13,000,000**	**$13,000,000**	**$13,000,000**	**$13,000,000**	**$13,000,000**	**$13,000,000**	**$13,000,000**	**$12,251,460**

Source: California Budget & Policy Center

Model Assumptions:	
Total Initial State Spending, First Year of Program*	$145,000,000
Average Annual State Spending, Subsequent 8 Years of Program**	$13,000,000
Estimated Total Number of Eligible Children, First Year of Program	58,500
Real Rate of Return	1.00%
Nominal Rate of Return	3.7-4.0%

* $100 million allocated in 2022-23 budget plus $15 million allocated in the 2023-24 budget, $15 million allocated in 2024-25 budget, and $15 million allocated in 2025-26 budget.

** This funding comes from the ongoing, annual $15 million allocation to the program from 2026-27 through 2033-34.

Future Legislative Funding

Analysis by the California Budget and Policy Center indicates that an additional state investment of $43 million made available in 2026 would enable HOPE to provide at least $5,000 per child by age 18 upon program launch. With another $24 million in 2026, all children who entered the program at age 12+ would reach $5,000 by 18. A subsequent investment of $20 million in 2033 could ensure all children who entered the program at age 0-11 reach $5,000 by 18.

I Financial Planning

Every HOPE Participant will Receive Financial Planning and Management Services

To maximize the economic autonomy of each HOPE program participant, HOPE will offer an array of financial planning and similarly supportive services through partnerships with experienced community-based service providers and advocates as well as many of the state's financial health, asset building, and economic development programs like:

- **CalKIDS,** which establishes college savings accounts for every child born after July 1, 2022, and every low-income public-school student,
- **The California Housing Finance Agency (CalHFA),** which supports the needs of low- and moderate-income renters and homebuyers by providing financing and programs with a focus on equity
- **CalSavers, California's retirement savings program,**
- **The California Office of the Small Business Advocate,**
- **CalABLE, which helps Californians and out-of-state residents** to save for disability-related expenses by putting money in tax-advantaged investments, while protecting their eligibility for means-tested public benefits programs and
- **Community Credit Unions, Banks, eligible CPAs and financial planners** vetted by HOPE Program staff.

With support from philanthropy, all services will be offered for free and when funding makes it possible, incentivized through additional deposits into individual accounts, to all HOPE participants from the age at which they enroll until they turn 30 years old.

> **"We want the support of someone to teach us how to save and how to use money for different areas of our lives."**
>
> – Malcolm, *HOPE Program Youth Retreat #1*

Future Wealth-Building Services

HOPE has begun a process to identify the array of services to be offered that will best support program participants' capacity for financial planning and management at every age. The goal is to help each program participant maximize their economic autonomy by developing their own individualized plan to use, match or safely leverage their HOPE funds for wealth-building opportunities.

Services that will be offered may include and are not limited to:

- Volunteer personal financial mentors who will be matched with participants upon enrollment in the HOPE program. A mentor can include a CPA, a financial planner, or similar financial health expert who will help answer questions and provide guidance to help the youth participants understand the complexities of their local economy, how to find and use financial instruments like savings accounts, CDs, and similar wealth building tools, and how to budget for long term wealth building.
- Resource matching and financial wellness and financial education courses, seminars, and activities. California has hundreds of community-based, local, regional, and statewide services providers that help people find and enroll in economic support programs that they qualify for, help them protect their economic rights, such as access to fair and affordable housing, wage, and consumer finance protections, and learn effective financial management skills, including self-advocacy.

> **These services will help recipients make the best use of HOPE funds for their particular needs.**
>
> – Mayor Michael Tubbs,
> *Founder of End Poverty in California (EPIC)*

- Peer Financial Support Groups. Many HOPE-eligible youth will come to the program with knowledge of how to secure and protect participation in supportive programs while those that age into using their funds will have lots to teach their younger cohorts. The HOPE program may facilitate online peer support forums where participants can discuss what they've learned, how they plan to build assets, and use their investment to live with greater independence and economic security.

The HOPE Dashboard

All HOPE participants will have access to a financial dashboard through the web portal that they will use to log into their accounts. The dashboard will show participants the amount of money in their account, how it accrues interest over time, and an array of other financial resources they can access to leverage the impact of their accounts. With the participant's consent, the HOPE dashboard will link to and display information about accounts that they have through CalKIDS, CalABLE, and similar programs.

J Customer Service & Fund Distribution

Trauma-Informed Program Managers will Ensure High-Quality Customer Service and Funds Distribution

HOPE Program Manager

By the Fall of 2024, HOPE will contract with a program management firm to administer enrollment, verification, and record keeping related to the establishment of accounts, allocation of funds, and reporting on account financial health and growth, as well as advising on ways to eventually scale this program to include all foster youth and children born into low-income households. Key criteria for program management will include the capacity to provide trauma-informed customer service to the approximately 10,000 low-income COVID bereaved children eligible for enrollment who will be identified via targeted outreach. Given the high rates of COVID caused death among immigrants, there are likely to be a significant number of HOPE eligible children and their surviving parents who speak a language other than English and will thus likely be referred to the HOPE program via community assisters. HOPE's commitment to shouldering the burden of securing the necessary documentation to verify eligibility requires that program managers be able to communicate effectively with potentially eligible children, their parents, service providers who may be referring them to HOPE, and interagency data sharing partners to collect all necessary information to enroll program participants successfully.

Distribution of HOPE Funds

HOPE program managers will also be responsible for distributing funds from accounts when program participants become eligible to do so. Pending final regulations, HOPE plans to allow program participants to take distributions in whole or in part when they turn 18, or in exigent circumstances to be developed by regulations, when they are 17 and in need of funds. (For example, many students begin college or other higher education or vocational training programs when they are 17 and may not have other resources available to invest in their education.) Participants will also have the option to leave their funds invested in the HOPE Fund to accrue additional returns on investment. Participants will have up to 8 years, by the time they turn 26, to withdraw the funds from their accounts. (Funds left in accounts after age 26 will be forfeited and returned to help capitalize other participant accounts.)

Members of the HOPE Advisory Subgroup who have experience distributing money to community members through scholarship, cash assistance, and similar programs have advised HOPE to ensure that the program managers must be able to securely transfer funds without costs to financial accounts and in instruments that will be wholly owned and controlled by the program participant, for example into bank accounts solely owned by the intended recipient or via cashier's checks made out in their name. Security of transfer is paramount given that foster children, who will make up the majority of HOPE participants, are particularly vulnerable to identity and financial fraud given the number of people who can access the private information that affect their financial identity. [58] Unfortunately, children are often attractive targets for identity thieves who depend on their crime not being discovered until the victim reaches adulthood and first applies for credit. Members of the HOPE Advisory Workgroup who have relevant lived experience shared that as children, adults they trusted took advantage of their clean credit histories and access to accounts, whether in times of crises or otherwise.

Safeguarding HOPE Distributions

Program managers must also be able to answer questions at any point in the program participants' experience with the HOPE program. By definition, HOPE eligible children have experienced trauma in their lives associated with the loss of one or both of their natural parents through illness or other forces that other children typically do not face. Many HOPE-eligible children will be from households and communities forcibly impacted by racism, poverty, and immigration status, among other economically destabilizing social and political factors. They may not know people who came from circumstances similar to theirs who have achieved economic security and have internalized negative biases about their personal capacity for success and the futures that await them. They may have also experienced logistical challenges that made accessing other resources too complicated or have been let down by promises of support from adults and institutions they thought would support them.

Studies have shown that when young people receive an investment early in adulthood, it changes their outlook about their potential future. [59] Knowing about this investment helps foster long-term positive choices and bolster their chances of successfully building wealth and becoming financially independent, as well as contributing members to their communities and state. It will be essential for program managers to communicate to HOPE-eligible kids that this investment exists because of a public belief in their capacity for success, that that they will not face burdensome logistics to benefit from the program, and that their funds, once they can access them, will be entirely under their control.

[58] McNabb , J. (2011, August). A Better Start: Clearing Up Credit Records for California Foster Children, Report on Results of a Pilot Project
[59] Francesconi, M., & Heckman, J. J. (2016). Child Development and Parental Investment: Introduction. The Economic Journal, 126(596), F1-F27.

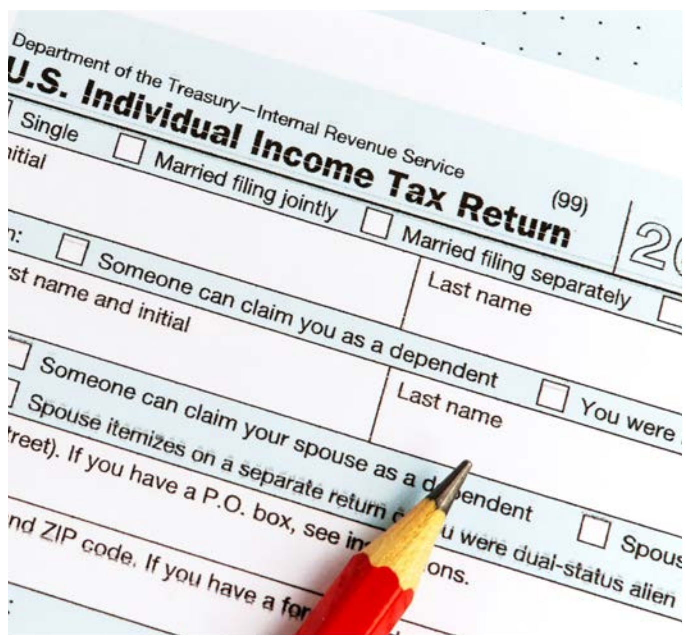
HOPE Must Safeguard Distributions Against Unintended Consequences

The HOPE program manager must be able to counsel such participants about the financial impact of distribution. California has learned to protect investments meant to increase personal economic security by exempting them from means-tested programs. For example, the California Guaranteed Income Pilot Program (GI Pilot Program) was established to provide income via temporary monthly payments to low-income Californians that are former foster youth or are pregnant individuals. [60] The California Department of Social Services (CDSS) oversees this program and recognizes that receipt of guaranteed income through the GI Pilot Program may lead to impacts on eligibility for other safety-net benefits. For purposes of eligibility determinations for the School Nutrition Programs (SNP), GI Pilot Program payments are exempt from being considered income. [61] CDSS's program partners that administer these programs also provide counseling to participants so that they are aware if, when, and how to prepare for when receiving such help would make them ineligible for other similarly targeted programs.

HOPE and Income Tax

Currently, Senate Bill 242 (Skinner, 2023) would, to the extent permitted by federal law, prohibit funds deposited and investment returns accrued in a HOPE trust fund account from being counted against eligibility for any means-tested program until an eligible youth withdraws or transfers the funds from the HOPE trust fund account. Additional statutory protections will be needed to exempt distributions from counting as income and resources for the purposes of state taxation as well as for all means-tested state and county programs, including participation in extended foster care after leaving foster care.

It is also possible that, at the federal level, the IRS would consider the HOPE payments exempt from federal income taxes under the general welfare exception. [62] The IRS will have to make a special determination about this since exemption is not guaranteed. The IRS did ultimately decide to exempt state refund payments made during the COVID-19 federal health emergency but there was substantial work among policymakers and advocates before that decision was made. Baby Bonds advocates nationally are already coordinating with federal policymakers to address this issue.



60 California Guaranteed Income Pilot Program: Request for Application. https://www.cdss.ca.gov/. (n.d.)

61 Guaranteed Income Pilot Program Income Exemptions - Nutrition (CA Dept of Education). (n.d.). https://www.cde.ca.gov/ls/nu/guarincomepilotprogexem.asp

62 Notice 2023-56, 2023-38 IRB 824

K Regulations, Reporting & Evaluation

HOPE will Develop Regulations, Conduct Annual Reporting, and Contract a Program Evaluator

Administrative Costs

As required under the HOPE Act, the HOPE Governing Board shall submit a written annual expenditure plan detailing proposed uses of funding to the Department of Finance and the Joint Legislative Budget Committee by October 1 of every year. [63] To the extent the board's administrative costs will or are projected to exceed 5 percent, the board shall submit a written request, in addition to the annual expenditure plan, for the release of additional funding for administrative costs and the necessity to exceed 5 percent to the Department of Finance and the Joint Legislative Budget Committee. The Department of Finance may provide funds for administration of the program that exceed 5 percent, not sooner than 30 days after notifying, in writing, the Joint Legislative Budget Committee, or any lesser time determined by the chairperson of the joint committee, or the chairperson's designee.

> **HOPE expects to issue a public notice of proposed rulemaking in July 2024**

HOPE Regulatory Calendar

Before launching operations, the HOPE program must also promulgate regulations through a public rulemaking subject to public participation through public comments, hearings, and amendments as necessary. HOPE expects to issue a public notice of proposed rulemaking in July 2024, the process for which is governed by the California Administrative Procedure Act (APA) and is subject to review by the Office of Administrative Law (OAL), which ensures that program regulations are clear, necessary, legally valid, and available to the public. Although the process can take an extended period of time to allow for multiple public comment periods, hearings, and OAL required changes, the HOPE Board optimistically expects to complete this process by November 2024.

[63] WIC section 18997.53

HOPE Program Evaluation

Finally, the HOPE program will contract with an external program evaluation partner with expertise on poverty and inequality in California to analyze its performance for accountability and learning. [64] Evaluators may include anti-poverty researchers with expertise using both quantitative and qualitative data collection and analysis of program design and administration as well as program impact. This may include but will not be limited to:

- The number of HOPE eligible children enrolled annually for long-term foster children and income-qualified COVID-19 bereaved children,
- The value of deposits made per each account annually as well as the cumulative value of each account per child,
- The amount of funds withdrawn annually,
- The number and types of services provided to program participants including take up rates and any measures of performance normally collected by service providers,
- Voluntary survey data about the intended and actual use of funds,
- Voluntary survey data about HOPE participants' expectations about their economic futures collected near to program enrollment, annually, at the time of funds withdrawal and for up to five years after funds withdrawal,
- Success attracting non-state partners and resources to support program outreach and service provision, and
- Program changes as needed to expand eligibility.

Special attention will be given to the impact that the HOPE program will have regarding the statute's expressed intentions of "creating opportunities, economic autonomy, and hope" and promoting "intergenerational wealth and asset building", maximizing "autonomous wealth-building capacity" and helping to "reverse our state's record level of inequality." [65] Evaluation partners may be required to establish baseline measures to enable the Board to draw clear impact measurements, measures of financial success such as employment and savings, for similarly situated children before and after participation in the HOPE program.

[64] See, for example, "CDSS Guaranteed Income Pilot Program Statewide Evaluation Priorities" available at https://www.cdss.ca.gov/inforesources/guaranteed-basic-income-projects/rfa.

[65] WIC sections 18997.5 and 18997.55

III. Recommended Statutory Changes

The HOPE Governing Board understands that standing up a successful program is an iterative process that will take legislative and regulatory changes as it continues to evolve with the needs of its account holders. Working to meet the needs of our two starting cohorts- long term foster youth and COVID bereft children- is helping us to build program infrastructure that is trauma informed and can meet the needs that children have when they are at the intersection of poverty, racism, immigration status, public health crises, and destabilized familial structures.

The following are statutory changes that will be needed prior to launching the program in 2025

1. **Distributions should not count as income or resources for any purposes.** Funds withdrawn by or distributed to HOPE program beneficiaries should be excluded from income and resources for the purposes of state taxation as well as for all means-tested state and county programs, including participation in extended foster care after leaving foster care.
2. **Clarify that COVID bereaved children are eligible when COVID or long COVID are listed as an underlying cause of death on a death certificate.** Death certificates will often list both cause (such as "heart attack") and an underlying cause (such as "COVID"). However, the CDC only issued a standardized code for long covid on death certificates in December 2022. Death as a consequence of long term COVID-19 is increasing beyond the expiration of the federally declared emergency. Long COVID is still worrisome two years after infection: "researchers found that people who had COVID — including those who were hospitalized within the first 30 days following infection and those who were not — were still, up to two years after infection, at an elevated risk for many long COVID-related conditions including diabetes, lung problems, fatigue, blood clots and disorders affecting the gastrointestinal and musculoskeletal systems... But [for] those hospitalized within 30 days of being infected... [t]wo years after infection, their risk of death and hospitalization remained elevated, and their risk of adverse health conditions remained significant across all organ systems." [66]
3. **Allow signed attestation to establish eligibility for enrollment where official documents are unavailable.** Tribal children, children without SSNs or ITINs, and children with parent(s) without SSNs or ITIN, among others, may not have access to government issued documents or be included in government created records that would otherwise establish the death of a parent, guardian, or primary caregiver is caused by or is a consequence of COVID-19 and long COVID, that the household income prior to death was at or below the income that would make the child eligible for Medi-Cal benefits under Chapter 7 (commencing with Section 14000), or that the person who died was the parent, guardian, or primary caregiver of an otherwise eligible child.

[66] Sauerwein, K. (2023, September 21). Long Covid Still Worrisome 2 Years After Infection. Washington University School of Medicine in St. Louis.

The following are recommended statutory changes that would help strengthen the HOPE program before launch

1. **Expand eligibility to include income-qualified COVID-19 bereaved children who lose their primary caregiver.** Communities hit hardest by COVID-19, such as immigrant and tribal communities, can have nontraditional family structures such as children who live with grandparents or other relatives or friends who have assumed primary care without formal adoption or guardianship procedures. Expanding eligibility to those children will ensure equitable treatment that reflects the reality of modern family structures.
2. **Expand eligibility to include unaccompanied refugee minors (URMs).** The URM program originated in the 1980s to address the needs of children who arrived in the U.S. from Southeast Asia, because of the Vietnam conflict, without a parent or guardian to care for them. Under Title 45 Code of Federal Regulation Part 400.112, California's URM program must provide services that are equivalent to mainstream foster care and emancipation services.
3. **Create a way to identify children who might be eligible for HOPE by adding a checkbox on death certificates to indicate when death is as a result of COVID-19 or long COVID and the deceased is survived by minor children**. Current death certificates do not indicate whether minor children survive the deceased. Adding a checkbox would facilitate the identification of minor children who survive a decedent with COVID as a cause or underlying cause of death.
4. **Add a voting seat on the HOPE Governing Board, for youth who has been in foster-care for 18 months, has lost a parent, guardian, or primary caregiver to death caused by or as a consequence of COVID-19 or long-term COVID, or is experiencing poverty.** This member of the Board should be able to participate remotely or receive a travel and per diem stipend so that travel to and spending time in Sacramento for meetings does not pose a financial burden.
5. **Allow unexpended administrative funds to be returned to the HOPE Fund.** Currently, the HOPE Act caps administrative costs to 5 percent of annual appropriations and gives the Department of Finance the ability to consider and approve written requests to exceed this cap. [67] Additional statutory language could clarify that any unexpended funds within the 5 percent should be allowed to be recapitalized into the Fund and used for funding accounts for eligible children.
6. **Change the name from HOPE.** A CalHOPE program already exists, it is a crisis support for communities impacted by a national disaster funded by the Federal Emergency Management Agency and run by the California Department of Health Care Services. Using the name HOPE may cause confusion for stakeholders for both programs. It was created right before the HOPE statute took effect, and the confusion of two state programs with similar names has led to confusion for constituents as well as stakeholders and members of the public who have reached out for information on the two programs. This could cause expensive issues in addition to continued confusion as the program is socialized. HOPE staff researched other potential names with no nexus or cross-over to other state programs for consideration: CalFUTURE or CalTHRIVE have no other affiliated trademarks.

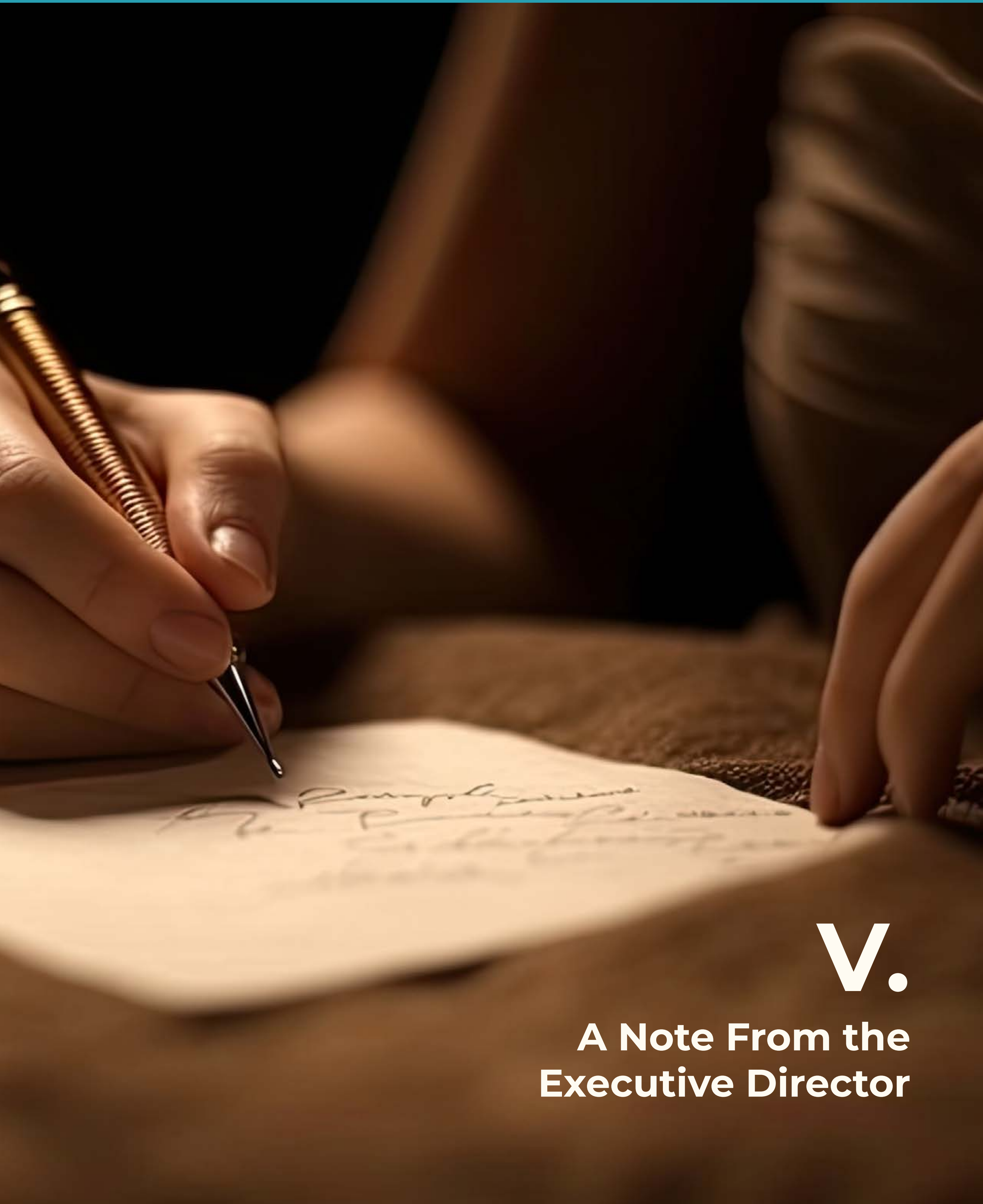
[67] WIC section 18997.5(d)

IV.
Conclusion

The California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Act creates an unprecedented investment of wealth in two of our state's most financially vulnerable children: children in the foster system who are no longer receiving parental reunification services and have not been adopted after 18 months and children who have a lost a parent to COVID-19 or long COVID who's household income was low enough prior to the parent's death to qualify the child for MediCal for Children. Through a one-time appropriation of $100 million in fiscal year 2022 and subsequent $15 million appropriated annually, the HOPE Program will generate assets for each of the estimate 58,500 such children in the form of trust accounts that will grow to $4,500 when they reach 18, or more if left invested beyond age 18.

Their Own Asset

For the first time, these children will have a valuable asset in their own name, that only they will be able to control. They will be given access to free and when possible, incentivized financial planning and management services before and after they become eligible to withdraw the funds from their HOPE accounts. As a result, they will be able to exercise economic autonomy with their own assets at a time when many others their age are starting out in debt, facing housing insecurity, and other forms of financial instability. Within a few years, contracted program evaluators will be able to measure the impact that this combination of assets and services will have on program participants' use of funds and how this affects their economic futures.



V.

A Note From the Executive Director

A well-regarded colleague once told me, “A rising tide raises all boats; however, boats with holes won’t rise with the others”. This I have never found this to be truer than when I accepted the role of Executive Director for The HOPE Program. The mission of HOPE is driven by the pillars: Assets, Access, & Autonomy. HOPE strives to provide the assets, the financial education, and the opportunity for these youth to take an active role in bettering their future with our support. This report echoes the desire to fill in these holes, so we can all rise together and experience the positive influence of an economy that works more equitably for all.

Before my appointment to this role, I served as the Treasurer’s Legislative Director, where I became aware of the “HOPE Act” legislation when it was first introduced. In this capacity I was able to work with the Legislature to ensure we had a successful framework to build the program, to study the potential investment policies and tools needed, and to deliver a report on why HOPE is necessary, what HOPE strives to do, and what we have learned in the process. As conveyed throughout the report, despite California’s swift response to the Pandemic, the state still suffered catastrophic loss with approximately 32,500 children being bereaved by COVID in the state since March 2020. This loss also exacerbated financial struggles for our most vulnerable citizens.

In my role as the Executive Director, I not only met with California stakeholders and legislators, but I’ve had the opportunity to travel to New York and Washington D.C. to participate in robust conversations about the National push toward baby bonds and child trust account programs, and while each program differs slightly in its approach, the end goals remain the same. Research has demonstrated that these racial wealth gaps can be narrowed by establishing trust fund accounts for children permanently placed in the foster-care system.

It is often said, " As California goes, so goes the Nation”. HOPE is excited for the potential to not only see the success of this program work to close the racial wealth gap and impart economic autonomy to some of our most vulnerable constituents, but also to help lead our sister state and commonwealth as they, too, continue to strive for new, innovative ways to raise their vulnerable citizens up out of poverty as well.

I’ll end here with a quote that stuck out from a panel with Senator Booker about closing the racial wealth gap: *“If you are mistaking equity with mediocrity, then you do not understand equity."* Equity is about creating avenues and pathways to ensure maximum participation in society and the economy for all, regardless of the circumstances one is born into. We do not lower the bar to make it achievable, we lift others up, so we all reach new heights. It is with this in mind that I say thank you to the Legislature and Administration for creating this Program, which creates opportunities. Let us all work together to patch these boats in need and let us all rise together.

Sincerely,

Kasey O’Connor, Executive Director
HOPE for Children Trust Account Program

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MORE INFORMATION FOR
THE HOPE PROGRAM CAN BE FOUND AT:
https://www.treasurer.ca.gov/hope/index.asp

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