

MINUTES

CA HOPE for Children Trust Account Board

901 P. St, Room 102 Sacramento, California 95814

May 31, 2023 – 2:00 PM

Public Participation

Call-In Number: (888) 557-8511 and Participant Code: 5651115

OPEN SESSION

Fiona Ma, Chair, called the meeting to order at 2:03 pm.

Executive Director Kasey O'Connor thanked the Board for tuning in and gave instructions for those participating on the phones and over Teams.

Item #1

Roll Call

Members Present:

Fiona Ma, CPA, State Treasurer
David Oppenheim for Malia Cohen, State Controller
Chris Ferguson for Joe Stephenshaw, Director of Department of Finance
Solana Rice
Jaime Lee
Bob Friedman
Camila Chavez
Quorum established

Item #2

Welcome and Introductory Comments

Executive Director Kasey O'Connor requested new Board members introduce themselves and where they are from.

New Board members to introduce themselves:

Dave Oppenheim, Deputy Controller and Senior Financial Advisor for the State Controller
Chris Ferguson, Program Budget Manager for Department of Finance
Mayor Tubbs (absent)
Solana Rice, Executive Director of Liberation in a Generation
Shimica Gaskins, senate appointee, with GRACE End Child Poverty
Jamie Lee, attorney, appointee of Speaker Rendon's office

Advisory Board members:

Bob Friedman, Founder of Prosperity Now
Camila Chavez, Executive Director of The Dolores Huerta Foundation

Item #3**Approval of minutes from 2/28/2023**

Executive Director Kasey O'Connor introduced the item and requested to have the minutes from the February 28, 2023, Board meeting approved.

Chair Ma asked for a motion to approve the minutes.

Chair Ma asked for a board member to second that motion.

Chair Ma recognized the motion as approved.

Chair Ma asked for public comment.

Hearing none, Chair Ma declared the minutes approved.

Item #4**Executive Director Report**

Executive Director Kasey O'Connor presented updates from her report:

- This is the second Hope for Children Trust Account Board meeting.
- The group has 38 members and expects to grow, bringing diverse and impressive expertise.
- The group is hoping to start trust funds by next year.
- Explained the Hope Act Statute, which created the program.
- There are four subgroups based on the statute. These include:
 - Eligibility and Outreach
 - Data Sharing and Privacy
 - Administrative Infrastructure and Timeline
 - Funds per Youth and Investment Strategies
- The subgroups were created based on the mandatory content of the report due to legislature by February 1st, 2024.
- The issues being worked through these groups include, but not limited to;
 - How the program will establish and maintain Hope trust accounts on behalf of eligible children.
 - Investment strategies to utilize and ensure accounts are managed to maximize participation and bolster wealth, building capacity and independence.
 - Estimate initial number of Hope trust accounts to be opened in the initial deposit amounts for the original accounts.
 - Further statutory budget allocations needed to sustain the program.
 - Timelines to implement this chapter and how we can eventually expand this program to include all children born into low-income households in California to mirror our sister programs of the baby bonds.
- Each subgroup has met twice, and we are excited to share the progress of those meetings as well as the larger group and what they recommend.

Executive Director O'Connor concluded her report and called for questions or comments.

Hearing none, the Executive Director moved on to the next item on the agenda.

Item #5 **Review and Discussion Agenda and Timeline**

HOPE Consultant Andrea Luquetta, Pa'Lante Collaborative Services presented the following:

- Statute requires written implementation plan to legislature by February 1st, 2024.
- Looking to have adoption of report by November to Board.
- This should be ready to present to you by August.

Ms. Luquetta concluded her presentation and asked for questions or comments from the group.

Hearing none, the Chair moved on to the next agenda item.

Item #6 **Review and Discussion of Eligibility & Outreach**

Andrea Luquetta presented the following information:

- Group recommends that we make accounts for children who meet the two kinds of criteria which are;
 - Bereaved children who lost a parent anytime during the Federal emergency that was declared March 13, 2020
 - Long term foster children: Recommending that we create accounts for youth who were in foster care 18 months and whose parental reunification services were terminated as of March 13, 2020.
- We are in the process of currently getting numbers of these youth in foster care.
- Recommend allowing distribution of funds to youth once they hit 18. This age is not enumerated in statute. This is to allow the youth to have the option to leave in place so they can grow it or take it out.
- There was conversation regarding allowing the youth to take out before they hit 18 as a lot of youth start college at 17 but concerned of financial abuse of the youth. We really need to have guardrails in place to ensure the monies go directly to the youth.
- The workgroup is determining what community partnership expectations should be. We recognize that we will have to have both initial outreaches to raise awareness of the program and making sure that children who might be newly eligible because they're living through the death of a parent from long COVID or newly into the foster system and hitting the 18-month mark.
- We also need to have ongoing support for youth such as providing supportive services like financial education and other education programs and trainings. Also, to have mentor services to help these youth plan and envision the future.

Ms. Luquetta concluded her presentation and asked if the group had any questions or comments.

Chair Ma asked whether there was an end date.

Ms. Luquetta responded, yes, timeline for death of COVID is May 11, 2023. Statute also refers to children who lost a parent from long COVID, children whose parent might die today due to long COVID then the child would be eligible now as well.

Chair Ma asked whether the youth access the money for anything or just college.

Ms. Luquetta responded that the statute allow that the funds are at the discretion of the youth. We are to have faith that the youth will do what is best. We are not to restrict the use of the money; this is why we are offering ongoing support.

Executive Director O'Connor added it is for asset building, but we do not want to define asset building and close the wealth gap. Example, a car depreciates but need it to get to jobs and interviews. We want them to have financial literacy, financial mentors such as CPA's or financial planners that we can work with.

Chair Ma remarked that the legislature and the governor gave us \$5 million for financial literacy and asked what type of financial literacy would be provided to the youth.

Ms. Luquetta responded that we have some great board members who are versed in financial capacity building, and we have started identifying great organizations to provide support.

Mr. Oppenheim asked what happens if the youth does not have a bank or if it is a debit card, what happens if something happens to the card when the youth turns 18, adding that the group needs protection for distribution.

Ms. Luquetta responded that this is coming up in the next workgroup. The group will work on what the distribution will look like, starting with non-custodial accounts for minors, FDIC protected accounts, and setting up distribution with US bank debit cards.

Mr. Oppenheim asked whether there are strategies that are being considered to support the youth against coercion.

Ms. Luquetta responded that there are two strategies that we are considering. First is to put out an RFP to design firms that help us create branding and images that will hit on themes that strongly message this is your money/this is your future. The goal is to show the youth they have control over this money and their future. The group will have financial literacy resources available to drive that point home.

Executive Director O'Connor added that we are looking at potentially including the financial literacy course and the financial mentor and financial scam and phishing training.

Mr. Ferguson asked whether enrollment criteria states that all children who met the criteria as of March 13, 2020, are eligible. Then followed up with a question about the outreach and whether there is any collaboration or work done with Cal Kids program

that is operated by ScholarShare Investment Board it would benefit the youth to know about both.

Chair Ma responded that the discussion was raised with ScholarShare Investment Board, and they are thinking about how to partner those programs.

Executive Director O'Connor stated that an eligible child is defined as a resident of California who is under 18 and not emancipated from their parent, custodian or legal guardian and meets one of the following qualifications: they had to be minors at the time their parent passed or is a foster child who resides in California or is a resident of California but may be placed out of state.

Mr. Ferguson clarified that he doesn't have concerns with the criteria that is being proposed, but instead wants to make sure that we don't put some children in a position where they are told they have an account, and it turns out they really don't. I appreciate you looking into it.

Ms. Rice commented that ScholarShare and CalKids are great to work with on outreach and support to the beneficiaries. Also, eligibility before age 18 or even after, support staff have with beneficiaries and walk through how their options are in terms of distribution, including going directly to institutions if they want to get the distribution before 18. We need to consider, how far does a \$1000 really go and are there ways we can supplement the \$1000 and whether we can invite partners and foundations to help fundraise for some of these kids.

Chair Ma commented that Cal Kids gave a significant amount of money to ramp up the program. So, she does see that as a possibility.

Executive Director O'Connor reminded the group that in statute, the group must include philanthropy and other ways to bolster the money and not just rely on state resources.

Ms. Lee asked about the intent of the legislature and whether there was a ballpark number. Obviously, we want as many funds to go to as many children as possible but if the intent was focused on children impacted by COVID, a child who lost their primary caregiver in 2020 or 2021 has been two or three years without that person and without their support, it seems almost urgent to address the needs of those children. Some of those children have aged up and turned 18 in that time frame, then we need a more defined method of identifying the eligibility as a backlog that funds need to go out to. As this pool goes from 30,000 or 50,000 or 100,000 or a million children, then it's like \$77 per head so depending on how those funds are allocated, I wonder if the eligibility requirement we focus on children who lost a parent due to COVID first then how we can expand it to foster youth.

Executive Director O'Connor responded that we have a funds per youth agenda item and she will note that there has been discussion at the subgroup level. There are minors who are now over 18 and without the resources. Do we need another pot of

money? Putting aside money for children that are still minors and will accrue more money in the accounts. There is a \$15million ongoing appropriation every year after this except \$750,000 is for continual administration.

The Chair recognized David Oppenheim.

Mr. Oppenheim stated that from finance, the multibillion dollars of COVID money the state, it has been encumbered and needs to be spent by December 2026, if those funds weren't being spent or there is some chance the money is available. He stated he is curious if we could use some of that money in line with the emergency relief.

Mr. Ferguson responded that he knows that is wrapped into the debt ceiling conversations at the federal level right now and they are clawing back unobligated amount of funding. We cannot change any of the existing obligations without running conversation at the federal level. If it's possible, that is something we can look at.

Chair Ma recognized Mr. Friedmans comment in chat that was a great idea. Thank you for the work group for their thoughts.

Chair Ma asked if there were any public comments.

Hearing none, Chair Ma moved onto the next agenda item.

Item #7 Review and Discussion of Data Sharing & Privacy

Andrea Luquetta presented the following:

- 37,000 children met the criteria of 18 months in foster care as of April 1, 2020.
- Still looking at how many children would be eligible up to today.
- We need to see how many foster youths are and COVID impacted. For some of the kids who meet the criteria younger, they will have a longer time for the investments to grow.
- No way of tracking COVID impacted children yet. We have research about where they probably are, how many there probably are, and that gives us some strategies for outreach.
- We can start to identify kids through vital records. CDPH, other state departments contract with national vital records, we are considering how they could get us information for 102,000 people that died from COVID in California.
- Our goal would be to identify what that maximum number is, then try to work from there based on what's on the death certificates.

Chair Ma asked if there were any questions from the Board and recognized David Oppenheim

Mr. Oppenheim asked if the FTB on the tax return would list dependents.

Ms. Luquetta stated that FTB is territorial about the use of their data. Whether or not FTB would be willing to operate a service of what the family income would be is a good question.

Mr. Oppenheim stated his boss is the chair of the FTB and that he would be happy to talk to the Controller.

Chair Ma stated that the Controller is on the FTB board, and she is ready to step up to do her part.

Chair Ma recognized Chris Ferguson.

Mr. Ferguson stated that a directory information would address name on basic educational information is available from education agencies and asked whether matches between vital records and addresses to identify students who may be eligible and look at zip codes to figure income-based data here.

Executive Director O'Connor stated that there are lists of children on free and reduced meal plans. I am sure there is an overlay with child on medi-cal who passed away because they were essential workers. We can go forward and explore that. We can have a separate conversation if you have any contacts to move forward with at DOF to see how that would work. Even with FTB. We can send them for cross reference to approve or certify rather than them going through and looking for us. We do also have to reach children that do not have SSN and they don't have iTunes. We have had dr. Vicki Mays on this work group, and she is stellar. She is from UCLA and working on how to identify these children. A lot of outreaches to churches, boys and girls club who was working with these children during the pandemic.

Ms. Luquetta stated that Solana Rice had a great idea. We can find someone in the Silicon Valley or some coder group to solve this problem for us. We have been talking about cross matching/comparing databases, seeing if we can have predictive data matching. Someone could figure this out for us.

Chair Ma asked if there were any questions or comments.

Hearing none, she moved on to the next agenda item.

Item #8 **Review and Discussion of Funds per Youth & Investment**

Andrea Luquetta presented the following information:

- we have \$100 million through the FY23 budget and another \$15 million annually starting FY 24.
- The capital fund is what we need to invest for capital growth and liquidity. We are waiting on data about number of eligible youth and their ages so that will inform what is ebb and flow and distribution flows.
- Current estimates mean we are actually at a point of providing less than a \$1000 per youth. The biggest take away is that we have to raise more money.

- The statute does not specify an amount to be invested nor an amount to be distributed. If we want to have the kind of impact the statute speaks to like closing the racial wealth gap asset building, creating wealth in communities that have been systemically impoverished, we have to do better than less than \$1000 per youth.

Ms. Luquetta concluded her presentation and opened the floor for comment.

Chair Ma asked if we have reached out to foundations or coalition of foundations.

Ms. Luquetta stated she did speak to someone on the advisory group who let her know that Governor Newsom's administration held a briefing with the top funders in the state and had a list of top funding requests and Hope was not named at that meeting. We should work through the governor's channels to get their partnership on this as well.

Chair Ma stated it works against trying to get these young people out of poverty by putting money into a consultant group that is going to do outreach verses directly putting money into the accounts, so they have more money when they age out.

Executive Director O'Connor stated we tried to reach out to some foundations for nonprofits or philanthropy on our work group, but the cold calling has not brought anyone in. If anyone on the board has recommendation, I know the Sacramento Kings has a foster youth night, the Lakers have a foster youth night, if anyone has contact or reach out to foundations to make sure they understand what they can do. We do have a philanthropic piece so if you have connections, please send them to us.

Chair Ma recognized Jamie Lee.

Ms. Lee asked if there is a separate 501C3 that runs alongside the program and whether it is possible to create one.

Executive Director O'Connor stated we have been talking about in the office. There is not one in existence yet but considering that we have the directive and statute to look at fundraising and philanthropic events, I do believe that we should explore that.

Ms. Lee responded that it is easier for people to give to nonprofit. The program is not well defined so once all the parameters are set, the legislative language is finalized, it makes it easier to set the parameters for what people are giving to. Even if you could just cover the administrative burden as we discussed, like \$750,000 a year, that is money that can be going back into the pot. Funds per youth, it is not an explicit number that is defined but I think we need to define the need and what the ideal number is. The consensus seems that \$1000 per kids fall short of what aspirations are for a program like this and maybe \$10,000 is aspirational. I think defining what the group is and then laying that out may be overlaying that need over a period of time as in a series of cash flow will help show what we need the investment to produce each year. If we look at it as one total fund then there's no availability, if we look at how pension funds work, usually that rate of return would be around 4% a year so it's \$4 million on the \$100

million versus more aggressive employee pension funds which may get up to I think a 6.8 more municipal ones are in the 7.5 range. it is still very limited so I think my question would be to the work group are these being allocated and funded in individual separate accounts or is the pot going to remain as one entire pot that is invested with greater investments strength as far as fees and ability to get access to better investments. Last question, what is the money doing right now? There are high yield APY accounts these days that are higher than most endowment assumed rates of return and over the next 6-7 months we are getting through this final process.

Executive Director O'Connor state that when the money was transferred over, we had the \$100 million transferred to the Hope Fund. It is now in our Fund and is being managed like any other treasury. It is now accruing nominal interest. It continues to do with other investments, we left a lot of the sweeping off the top and putting back into the administrative portion.

Ms. Luquetta addressed Ms. Lee saying she would love to work with her directly on this and asked to connect in a conversation offline.

Ms. Lee responded that She would love to help.

Chair Ma recognized Bob Friedman.

Mr. Friedman stated that the legislation doesn't call for evaluation but one of the things I've loved about the setup of California hope accounts is the intention of expanding it to all kids.

Chair Ma thanked Mr. Freeman and recognized Camilla Chavez.

Ms. Chavez asked if there are fundraising subcommittee or work group that could come up with suggestions and bring back to the board to pursue this idea of fundraising through philanthropy foundations.

Ms. Luquetta responded that there is not one now, but we could create something like that.

Ms. Chavez followed up by saying a second suggestion would be to maximize outreach efforts and partnering with state agencies like DOE again looking at those schools that have lowest income and newly formed office of community partnership and strategic communications. There are several organizations that could assist in the outreach.

Chair Ma recognized Chris Ferguson.

Mr. Ferguson stated that he cautions against fiscal aspects of driving the fiscal cost for the state. We are concern about resource allocation and availability as we can see in this year's budget, resources are tight. That is just the nature of our department.

Chair Ma responded that we are sensitive about that and asked for any public comments.

Hearing none, the Chair moved on to the next agenda item.

Item #9

Administrative Infrastructure & Timelines

Andrea Luquetta presented the following information:

- Finalizing an RFP for narrative and other materials design. It should be out later this week or early next week. We have a document that needs to be finalized and routed for outreach materials. We want to have about 10 kids who would otherwise meet the criteria and are basically teenagers and be focus group, basically a design team.

Chair Ma asked if the RFP is public.

Executive Director O'Connor stated that we have finished a draft as soon as it is posted, we will make it public and send out. Right now, it is just going through the process with the procurement team. We will run it through the channels but will share it with the board as well because it falls under the threshold that you all set for me to approve RFPs in the first meeting.

Ms. Luquetta responded; I have been reaching out to a lot of design firms that are California based who have experience working with and designing with low-income teenagers of color on a variety of things like pregnancy prevention and STD and family violence. These firms are all over California who can do this, and I have alerted them that desire and RFP. Looking at small business list to get it out to them and make it available to advisory team. We want a great design team. The RFP is for the creation of the core messages which could come from photography illustration. Development of materials and multiple languages. We have presented journey mapping. It is a flow chart that tells us which entities are taking control of which tasks so that the user in this case have the experience that we want them to have. We presented this journey map to the administration and timelines team, and we have some great feedback and adjusting on that, such as what kind of portal, what the people who need to see the information that goes in the portal, back-end data, data sharing, what sort of capacity do we need? The statute does not require an evaluation in the implementation plan, however, there is reference to continuous measurement of outcomes, and we want to strategically make a good case for early impacts and how we pave the road for expansion.

Chair Ma asked if there were any question from the board.

Hearing none, Chair Ma asked if there were any public comments.

Hearing none, Chair Ma moved onto the next agenda item.

Item #10**Discussion of Future Meeting Dates**

Andrea Luquetta stated: We are looking st having a meeting in August followed by one in October and November so possible dates for this group. I will follow up by email.

Chair Ma asked if anyone had questions.

Hearing none, the Chair moved on to the next agenda item.

Item #11**General Public Comment**

Chair Ma asked if any members of the public wish to make a comment on anything other than what's been on the agenda today.

Hearing none, the Chair thanked the board members.

Meeting adjourned at 3:52 pm