
AUGUST 30, 2023

AGENDA ITEM 6
ACTION ITEM

HOPE for CHILDREN TRUST ACCOUNT BOARD

Resolution No. 2023-02: APPROVAL TO DELEGATE AUTHORITY TO INVEST CURRENT MONIES IN HOPE FUND

Summary

Staff seek the approval of the HOPE for Children Trust Account Board (“Board”) to authorize the executive director to invest the current monies in the fund that are not required for its current needs, as allowed per statute in order to maximize the HOPE Fund (“Fund”) prior to the distribution of monies from the Fund to trust accounts. If approved, staff will explore options consistent with Government Code 16430, and make prudent investments, in the manner discussed in the meeting.

Updates on any investments made on behalf of the Board in line with this resolution will be given to the Board at the October 2023 Board Meeting.

Detail

Chapter 16.1, commencing with section 18997.5, of the Welfare & Institutions Code 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 in California. Per statute, the Board must administer the Program and the funds appropriated for the Program in alignment with the intent of the Legislature to create opportunities, economic autonomy, and hope, and to promote wealth and asset building for an eligible child and eligible youth to address California's record levels of inequality.

At the May 31, 2023, meeting, the Board asked staff to explore the opportunity to invest the monies currently sitting in the Fund to grow the Fund total prior to the distribution to accounts in 2024. HOPE staff explored this request with the State Treasurer’s Office Investment Division (STO) and resolved that there is potential to fulfill this request in a manner that aligns with Government Code 16430 and STO investment policy, which promotes safety, liquidity, and yield.

Through the Pooled Money Investment Account (PMIA), the State Treasurer invests taxpayers’ money to manage the State’s cash flow and strengthen the financial security of local governmental entities. PMIA policy states that all investments made by the State follow the primary objectives of safety, liquidity and yield. The State Treasurer’s Investment Division manages the PMIA under statutory authority granted by Government Code sections 16430 and 16480.4. The Pooled Money Investment Board (PMIB) governs the PMIA. The PMIA has three primary sources of funds: the State General Fund; special funds held by State agencies; and moneys deposited by cities, counties, and other local agencies into the Local Agency Investment Fund (LAIF).

As of August 18, 2023, the total Fund balance was \$116,056, \$555.97 of which was in cash and \$116,056,000.00 invested in the Surplus Money Investment Fund (SMIF). Currently the Fund deposited in SMIF is earning the PMIA rate of 3.52%. The interest is contributed to the HOPE portion of the Fund quarterly. The Act requires the interest or other increment resulting from the investment or deposit of moneys from the HOPE Fund to be deposited in the HOPE Fund.

Only once STO and HOPE staff confirm the Fund can be segregated from the SMIF pool and it is ensured that the interest/increment will solely go to HOPE, the staff will move forward investing on the Board's behalf to potentially earn more than what the Fund is earning in SMIF, pending the adoption of Resolution 2023-02.

Staff Recommendation

Staff recommends the Board approve Resolution 2023-02: *APPROVAL TO DELEGATE AUTHORITY TO INVEST CURRENT MONIES IN HOPE FUND by authorizing the Executive Director, who is accountable for the resources of the Program, to invest the monies in the account, prior to distribution to child trust accounts, without specific board approval, in the manner described in the meeting.*

Attachments

- *Attachment 6A: Resolution 2023-02*
- *Attachment 6B: State Treasurer's Office Pooled Money Investment Account Investment Policy*
- *Attachment 6C: PMIA List of Approved Banks*