



California HOPE OPPORTUNITY, Perseverance, AND EMPOWERMENT (HOPE) for Children Trust Account Program

California HOPE, OPPORTUNITY, PERSEVERANCE, AND EMPOWERMENT (HOPE)
Governing Board meeting minutes.

901 P. St,
Fourth Floor Conference Room 411 B
Sacramento, California 95814
August 30, 2023 – 1:00 PM

Public Participation

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

OPEN SESSION

Deputy Treasurer Stephanie Tom, Chair, called the meeting to order at 1:06 pm.

Requested for roll call.

Item #1

Roll Call

Members Present:

Stephanie Tom for Fiona Ma, *State Treasurer*
David Oppenheim for Malia Cohen, *State Controller*
Michelle Perrault for Joe Stephenshaw, *Director of Department of Finance*
Solana Rice, Governor Appointee: *EPIC*
Jaime Lee, Assembly Appointee: *The Jamison Group*
Robert Friedman, non-voting member, founder, *Prosperity Now*
Camilla Chavez, non-voting member, *Dolores Huerta foundation*.
We have a Quorum (5 of 7 voting members).

Item #2

Welcome and Introductory Comments

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

Deputy Treasurer Stephanie Tom introduced herself as overseeing the investment programs for individuals. It was noted the key milestone is the legislative report that is due in 2024. The report will be comprehensive, timely and meaningful so we can get to the next step of implementation. It was also noted that there is a new bill AB 146 that will allow Bagley-Keene for remote meeting access through the end of the calendar year. We appreciate the board is here in person, we can continue in person or virtual. Deputy Treasurer Tom also noted new procedures for hearing public comment so that protocol will have public comment immediately after the presentation followed by board comments and this protocol will be implemented for all board meetings. Rebekah Aguirre was introduced as the new program manager for the HOPE Board.

Item #3

Approval of minutes from 5/31/2023 (Action Item)

Deputy Treasurer Stephanie Tom introduced the item and requested to have the minutes from the May 31, 2023, Board meeting approved.



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Deputy Treasurer Stephanie Tom asked for public comments in the room and on then asked for public comment on the phone.

Mayor Michael Tubbs called in to let the board know he was on the line.

Deputy Treasurer Stephanie Tom asked for a board member to second that motion.

Deputy Treasurer Stephanie Tom recognized the motion as approved.

Deputy Treasurer Stephanie Tom declared the minutes approved.

Item #4 **Review of Agenda and Timeline (Information Item)**

Andrea Luquetta, Pa'lante Collaborative Services, presented updates:

- Reminded early in the process they had scheduled meetings through July and August. Due to the revision of Bagley Keene Act, we weren't able to meet those.
- We are still on track to meet the implementation plan report timeline which is in January.
- We will schedule advisory group meetings for September and October.
- Reminded of the process to bring on a group called Youth Panel of experts.
 - A group of teenagers
 - Fit the eligibility criteria for participating in the program.
 - Be able to vet some of the recommendations from the advisory groups with them.
 - They would use their life experience and insights about the program design and administration with benefit of their analysis as they are the beneficiaries.
 - These are children in foster care at least 18 months or COVID bereaved children so that means they are less likely to have traditional parental structure.
 - They will have input on graphic design, outreach, and supportive services for the youth.
 - At this point we have ten youth who agreed to participate all over the state.
 - Some youth in foster care.
 - COVID bereaved children.
 - One set of siblings that were foster youth then adopted then their father passed from COVID.
 - They range in age all the way up to 19.
 - Holding a spot open for a Native American youth and a probation youth.
- Agenda today we are going to have presentations on how much money we can actually get these youth.
- We will go through the draft implementation plan report for feedback.



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Andrea Luquetta concluded her report.

Deputy Treasurer Stephanie Tom asked for public comments on the phone. There were none. Then asked for comments from the Board.

David Oppenheim for state controller: do we have legislative liaisons that have expectations for example from the budget subcommittee or finance of what is expected in the report?

Executive Director O'Connor responded, we have been working with Senator Skinner's office. She is the chair of the Budget, and she has been overseeing the HOPE program since it has been established. In my previous role as legislative Director, I worked closely with her staff and they are anxious to get whatever they need from you all to implement and into the legislative vehicle, which is Senate Bill 242, which is Senator Skinner's bill. Index cost to inflation, add FTB requirements, and hopefully get on their exemption list to get the fiscal numbers and tax information.

We have worked with her office to hold that bill in the second house, so it is inactive. When this report comes out in February 1, 2024, we are going to make sure that it has specific legislative recommendations that will probably include but not limited to specific investment structures that we will put in similar to what our other savings program boards did. The Cal Savers model did their report with investment specifics.

We will put in recommendation for name change of the Board because we are getting a lot of calls and questions from the other Cal Hope which is the medical set up. It is causing a lot of confusion.

The legislative report will list these recommendations. Senator Skinner is waiting on the recommendations for 242. If it looks like to many additions, then I have reached out to Assembly member Isaac Bryan's office some new members in the assembly to build rapport with the members that will be here for 12 years because I will definitely be going back to the legislature for iterative changes. I have let Budget know the monies accruing has not been distributed but does not mean we are not using it.

We will include in federal legislation that eventually happened around baby bonds and trust accounts.

Mr. Oppenheim asked the report that is currently being written addresses all the pieces the legislature is expecting?

Executive Director O'Connor responded, yes, they are addressed, and we show gaps that need to be filled based on information in the report coming in from the groups. We have hit the metric as far as the table of contents.

Deputy Treasurer Stephanie Tom asked for any other questions from the board. Hearing none, we move to the next agenda.

Item #5 Presentation on modeling options for investments in HOPE trust accounts.
(Information Item)



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Alissa Anderson and Monica Saucedo, California Budget, and Policy Center

The California Budget and Policy Center presented options for structuring the HOPE deposits to maximize the wealth building for the participants. Explained three major points in the discussion:

- Consider structuring the deposits to ensure equally meaningful returns regardless of how old they are when they enter.
- Consider using a portion of the annual appropriation that's already been dedicated to the program.
- Invest the funds more aggressively to get a higher rate of return.
- Strategy is to maximize deposits of older children as they will have less time to accrue interest.
- Set a target of \$5,000 per child incorporating inflation into the model.
- Children that enter as infants predict \$8053 in 2042.
- Assumption a real rate of 3%
- Estimate about 43,375 children will be eligible.
- Compared to Connecticut program, make all children eligible for Medi-Cal, estimate around 265,000 eligible children.

This concludes the presentation.

Deputy Treasurer Stephanie Tom asked for public comment on the phone. There are none.

Ms. Luquetta commented that we are excited about the numbers. Reminded the Board that they are the first to see these numbers before the subgroups or anyone else.

Mr. Oppenheim commented, cautious to put numbers out there that may be unrealistic or create unrealistic expectations on the 3% interest. The pooled money investment account the treasurer holds is about 3>2%. 3% may be unrealistic.

The second idea regarding the state contributed money, but being the financial advisor for the SCO, we see extreme uncertainty, the state may not be in fiscal position to support that.

Executive Director O'Connor responded that we could model at a 2% or something like that, but we just want to show that we are looking at all potential scenarios, these are asset building and not a guaranteed income program.

Mr. Oppenheim stated that the idea of putting 265,000 children that are Medi-Cal eligible in the program also changes the definition of the program in terms of total support.

Executive Director O'Connor responded that we have a mandate in statute to show the expansion for all children born into low income.

We are showing what it looks like to be a true baby bond program.



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Mr. Oppenheim stated to inquire the department of finance regarding a portion of the MCO tax.

Shimica Gaskins commented; the board is mandated to think about how the HOPE program is supposed to be for all children. We do not have the money to fulfill that mandate now, the actual orientation of the program is to figure out how to do that. Can you clarify why you stopped at?

Alissa Anderson responded, we stopped at 6 because we haven't considered for children who would be newly eligible in year 2 or 3. We did not want to get too ambitious until we have a sense of how many children would reach \$5000.

Ms. Lee asked, this model assumes no new children are added in. What is timing for when new children will be added into the number and when further children impacted as someone who has COVID previous.

Executive Director O'Connor responded, AB 156 right now, did have or we are predicting that if nothing changes in statute, will have more foster youth enrolled and few COVID bereaved children due to the federally declared pandemic has the dates in statute, so unfortunately, children right now whose parent passes away now are not covered because of the federal declared language. However, SB 242 has cleanup language to add new children, but we will have to figure out the timeline. We want to make sure to follow federal language for baby bond credit tax language and other incentive.

Ms. Luquetta commented on eligibility, the numbers we have given to us by CDSS about the children who would have been eligible in April 2020 and who would be eligible today and this will average out what it is annually. Long COVID is still undefined and who would be considered. Two sets of COVID death, COVID during federal pandemic and long COVID.

Ms. Luquetta responded that the numbers we gave for the presentation were based on a snapshot in time of who would be eligible in 2020 and who would be eligible today. We are not clear how to define who passed from long Covid yet.

Ms. Lee commented, I agree with member Oppenheim about the assumed rate of return. We have opportunities to invest but that is conservative investment that could be made. We should look at that and study it more.

Ms. Luquetta responded, Statute requires deposits based in different eligibility that may stop when, for example, a child is returned home. We started to use words allocation for clarity and different deposit calculations.

Executive Director O'Connor responded, acknowledge how we are wording terms to staff. We will be as accurate as possible in the report. We can bring Cal Budget back for



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an updated presentation with more accurate information. CDSS is active and helpful in getting accurate numbers for us.

Michelle Perrault with DOF asked about how we are paying overhead.

Executive Director O'Connor responded, first allocation is \$100 million and up to 5% that utilized for admin purposes. Moving forward, \$15million ongoing appropriation and \$750, 000 of that will be admin. Statute referred to looking into philanthropic efforts. We are looking how to get creative with community partners.

Item #6 Discussion re: potential investment options for monies currently in the Fund-STO investments expert (Action Item)

Executive Director O'Connor opened up and introduced STO investment head Jeff Wurm:

Jeff Wurm is here to answer technical questions. The fund is earning the minimum 3%. We are looking at a bit more aggressive approach. This is granted in Government Code 16430. This prioritizes safety, liquidity and yield and we can possibly get 5 ½ to 6%. The funds would ensure with the State Controller's Office that the fund is segregated from the SMITH and everything that is accrued will only go to HOPE program. We have Jeff Wurm here to answer any technical questions. Ms. O'Connor further discussed certain investment options before turning over to Jeff Wurm.

Deputy Treasurer Tom opened phone lines for public comments or questions from the Board.

Ms. Gaskins asked, how does the timeline work with the resolution and how and where we are investing?

Executive Director O'Connor stated the resolution is only for what is happening before funds are established. We can't be risky with funds that is seeded. We will do an RFP for an investment manager. We don't want to list the staggering approach as it can be too prescriptive.

Mr. Wurm responded, we can buy at a starting point now at a much higher yield than a year ago because the market is yielding higher right now. Government Code 16430 ensured that accrued money before we establish the accounts.

Mr. Oppenheim responded that the Controller believes strongly DEI should be part of any investment strategy and should work closely with the Controller's Office.

Mr. Wurm commented that right now, shorter terms is earning more which is advantageous for the time frame.

Ms. Lee, is the tentative timeline of monies really going out the door until July of next year at the earliest?



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Executive Director O'Connor responded that yes, that is the tentative timeline.

Ms. Lee responded that the funds need to be invested ASAP. Perhaps we need to be as aggressive as possible. Create a reasonable timeline when we expect an investment manager lined up and when we really need the \$100 million back.

Ms. Lee made motion to approve investment recommendation.

Mr. Oppenheim seconded motion. All members approved motion.

Item #7 Review of draft Implementation Plan Report (information)

Andrea Luquetta presented the following:

Opened with addressing Mr. Oppenheim's previous question of what is statutorily required. A detailed plan for implementing the program and establishing HOPE board. Establishing trust accounts for eligible children that maximizes participation, autonomy, and wealth building capacities. Number of Hope trust accounts to be opened and deposit language and descriptions of efforts to solicit philanthropic or non-state monies to support the program. The primary audience is legislature but also will use it a guide and business plan. Plan will open with why are we doing, what is the market right now, and why are we doing this? Ms. Luquetta further requested we welcome any feedback at any level on this report. Language in the plan built on \$5000 fund for each child. This will also discuss to allocate money to each child as well as the services. Ms. Luquetta further provided detail of what is needed to be in the report and reminded the Board that they would vote on final plan that will go to legislation. This will also provide information on different data sharing agreements with multiple departments. Discuss narrative design strategies. We went through RFP process for 23 applications for narrative design.

Executive Director O'Connor stated we will offer for 3Fold Communications.

Ms. Luquetta further commented about creating narrative about public perception of who deserves what kind of autonomy in terms of what and how they get to spend their money. There is also journey maps in the packet, currently placeholders but this is a process how we will reach these populations with materials and outreach handouts.

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. Also, will need to look at auto enroll and manual enrollment.

Ms. Luquetta further detailed longer term investment strategy, who will be our contractors for managing investment and terms which they will invest monies. Also looking at program managers and could this possibly be one RFP for both investment and program managers. Finally, statutory, regulatory, and budget recommendations



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are required by statute and if any clean up language and can we expand this program beyond the initial two cohorts.

Ms. Luquetta asked the board if they feel this has the good structure required?

Deputy Treasurer Tom asked if there were any questions or comments on the phone line then with the Board members.

Yesenia Jimenez stated that we ensure we identify gaps such as the tribal communities and undocumented children as this will require a significant amount of outreach.

Ms. Perrault stated there is concern about the State being seen as a long-term banker when the youth has the windfall of money. What will the structure be when the youth receive the money?

Executive Director O'Connor responded that we would have financial mentors for the youth. We will have incentives for the youth to take financial literacy course. We will try to follow the Cal Kid approach and provide incentives for the youth to work with the financial advisor.

Ms. Gaskins responded that there was a great amount of work into the plan but wants to ensure that we tell the story of racial inequality, income, and wealth inequality and the why we are doing this. Be a little more defined on philanthropy or let the legislature figure that out. The operations and engagement, we need to ensure the burden is not on the recipients.

Executive Director O'Connor responded that she is working on the introduction that speaks to the heart-based inequality in family of color and children who have not had a voice and show studies of investment in children and those outcomes. Discuss in the report about Connecticut and how they put \$382 million up front and what other states and countries have achieved. Connecticut is about baby bonds, and we are the first in the nation to reach out to this COVID population.

Mr. Friedman commented, see this in the context of the homestead act or GI bill. We are creating a new model for how to build long term wealth. Framing that this will create long term if we invest in the children.

Mr. Oppenheim stated, the SCO is really supportive. The outreach should really reach out to CWDA for the data sharing and CSAC and county supervisors. Local agencies need to be a large part of this. Really want to see the youth panel look at and provide advice on this report. Just for the record, SCO is not advocating that we take part of the MCO tax and allocate for this program.

Executive Director O'Connor added that she would like to see a quote from the youth panel on each page of the report on what they would do with this money.



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Ms. Chavez asked if someone from inland area will be represented for the youth panel and feels that 10 is a very small number to be on the youth panel.

Ms. Luquetta responded with information of how Cody Van Felden has been taking charge of the youth panel, interviewing them, and trying to get more youth on the panel.

Ms. Lee mentioned that the business plan model would really hit home at the end. What does success look like, how do we define it and who is this endorsed by? What are ways that we can help the youth come out on top.

Executive Director O'Connor responded that we would include how we evaluate success, including how we enroll COVID bereaved children as a sign of success.

Item #8

Discussion of future meeting dates

Andrea Luquetta presented the following information: Currently in our plan to meet quarterly and the next one would be in October; we would also like to meet in November so we will have the Board be able to vote on the implementation plan before it is in the final stage to go to legislation. Probably meet in November and possibly December.

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

Executive Director O'Connor stated that September 22 and 27 are dates for the subgroups to meet and we will incorporate their feedback into the report and bring to the board in October.

Deputy Treasurer Tom asked for public comments.

Hearing none, we will move on to the next agenda item.

Item #9

General Public Comment

Deputy Treasurer asked if there are any general public comments on the phone or in the room:

Hearing none, the Chair thanked the board members.

Meeting adjourned at 3:34 pm