

The California Hope, Opportunity,  
Perseverance, and Empowerment  
(HOPE) for Children Trust Account  
Program:

## 2024 REPORT TO THE DEPARTMENT OF FINANCE AND LEGISLATURE

Office of the California State Treasurer Fiona Ma  
February 1, 2024

This report was prepared 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. It was developed pursuant to Welfare and Institutions Code section 18997.55 in collaboration with the HOPE Board, the HOPE Advisory Workgroup, the HOPE program staff, and the State Treasurer's Office.

The California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Program, established through Assembly Bill 156 (Chapter 569, Statutes 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. By February 1, 2023, the HOPE Act required the Treasurer to convene a working group through the Treasurer's Office to advise the HOPE Board. 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. Specifically, the report must include, at a minimum, the following recommendations:

- 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.

## Contents

I.	Introduction .....	1
A.	California’s Baby Bonds Program .....	3
B.	Methodology for Preparing this Report to the Legislature .....	6
II.	The HOPE Program Implementation Plan.....	9
A.	Auto-Enrollment of Eligible Children .....	10
B.	Manual enrollment when necessary .....	12
C.	Outreach Partners and Materials.....	12
D.	Privacy and confidentiality.....	16
E.	The HOPE Fund and Investment Strategy.....	16
F.	HOPE Funds per Youth .....	19
G.	HOPE Financial Planning and Wealth Building Services.....	20
H.	Program Plan Management and Funds Distribution .....	21
I.	HOPE Regulations, Oversight, Reporting and Evaluation .....	23
III.	Statutory Changes and Budget Allocation .....	24
IV.	Conclusion.....	26

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## I. Introduction

The California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Act took effect on September 27, 2022, with the explicit goals 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.”<sup>1</sup> The HOPE Act created the HOPE for Children Trust Account Program, the second state-sponsored program, after Connecticut, to offer so-called baby bonds: publicly funded trust accounts for children from low-wealth families that they can access once they become adults.

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, reflected in programs aimed at helping people purchase a home, start businesses, and save for retirement. California has one of the country’s worst income inequality, with the highest-income families making over 11 times more than the poorest.<sup>2</sup> Our wealth inequality is even worse: 20% of all net worth is concentrated among only 2% of Californians.<sup>3</sup>

While income refers to the amount of money an individual can earn through work or investment, wealth is the total value of all assets they own, including property, investments, and savings. Income is what many use to pay for everyday needs like rent, groceries, clothes, and medicine, while wealth is generally left untouched. At best, it can generate income such as interest; at worst, it can be sold or liquidated, as needed. Wealth therefore provides insurance against sudden decreases in income and can buffer risk, such as choosing to start a new career. Wealth provides stability and economic autonomy that income alone cannot.

Intergenerational transfer of wealth is the most significant predictor of the future financial success of a child. Yet this opportunity to build wealth is out of reach for children growing up in poverty. Currently, over 1.5 million children in California live in poverty.<sup>4</sup> Among them are an estimated 8,000 to 10,000 children whose household income already made them eligible for MediCal for Kids when one of their parents or legal guardians died from COVID-19.<sup>5</sup> There are also nearly 50,000 children who, since the HOPE Act was enacted, have been living in foster care for over 18 months, are no longer receiving parental reunification services, and are thus more likely to age into adulthood straight from foster care. Statistically, these children are less likely to be adopted before becoming adults, more likely to have 50 percent lower earnings and employment rates that are 20 percentage points lower by age 26 compared to a sample of young adults with similar levels of education while as many as one-third experience homelessness. These low-income COVID-19 bereaved, and long-term foster children are the intended beneficiaries of the HOPE Trust Accounts for Children Program.

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<sup>1</sup> Welfare and Institutions Code section 18997.5.

<sup>2</sup> (inserting proper citations later) <https://www.ppic.org/publication/income-inequality-in-california/>

<sup>3</sup> (inserting proper citations later) <https://www.ppic.org/publication/income-inequality-in-california/>

<sup>4</sup> <https://www.cdph.ca.gov/Programs/CFH/DMCAH/surveillance/Pages/Children-in-Poverty.aspx>.

<sup>5</sup> Estimate based on research by Dr. Greenway-Smith, 2023

HOPE tailors the baby bond model to our own California needs and resources. The central idea behind baby bonds is that children from low-wealth families who receive publicly funded funds held in trust for them until adulthood can use those funds to build wealth. Backed by research that such accounts can close the racial wealth gap<sup>6</sup>, California's model also builds on the evidence of hundreds of guaranteed income programs across the state and the country: that financial infusions along with spending discretion and helpful financial planning and related services help struggling households find a way out of poverty with creativity, flexibility, and dignity.<sup>7</sup>

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 hope of reaching between \$4,000 to \$5,000 when they turn 18. 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.<sup>8</sup>

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 low-income California children will have this type of investment. The HOPE Act allows the HOPE program to be structured so that it can be expanded as necessary. 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."<sup>9</sup> 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, among other things, "a description of the efforts to be used to solicit philanthropic or nonstate moneys to support the program," and "further statutory and budget allocations."<sup>10</sup>

As a result, this report includes discussions, decisions, and recommendations that would support the expansion of HOPE eligibility to all California children born in poverty. The authors of this report believe that, in coordination with the state's other strategies for economic equity and expansion, the HOPE

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<sup>6</sup> <https://www.urban.org/urban-wire/baby-bonds-would-reduce-racial-wealth-inequities-heres-what-policy-makers-need-know>

<sup>7</sup> 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>

<sup>8</sup> 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. <https://www.bankrate.com/mortgages/average-down-payment/#what-is>

<sup>9</sup> WIC section 18997.52

<sup>10</sup> WIC section 18997.55

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.<sup>11</sup>

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Insert Text box:

At A Glance:

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 or as a consequence of long COVID and whose household income before the decedent's death qualified the child for MediCal benefits,
- Been placed in 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.

Every child's account will receive annual deposits to ensure they receive between \$4,000 to \$5,000 (in 2024 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.

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.

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#### A. California's Baby Bonds Program

The idea of baby bonds has existed since President Franklin D. Roosevelt issued the first savings bonds in 1935. Conceptualized in its modern form by economist Darrick Hamilton, 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 households of color. In the last decade, economists and policymakers have refined the strategy 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 the city of New York, which, like California, is aiming at serving COVID impact kids.

California's HOPE Program follows the best practices identified by the Urban Institute and Prosperity Now, two of the nation's leading baby bonds expert think tanks.<sup>12</sup> First, to maximize participation, the

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<sup>11</sup> <https://usafacts.org/articles/which-states-have-highest-child-poverty-rates/>

<sup>12</sup> The State of Baby Bonds, Madeline Brown, Ofronama Biu, Catherine Harvey, and Trina Shanks February 2023 <https://greaterdc.urban.org/sites/default/files/2023-02/The%20State%20of%20Baby%20Bonds.pdf>; BABY BONDS:

state will automatically enroll all eligible children. Accomplishing this will be challenging since no government agency has tracked COVID-impacted children. Instead, HOPE staff will work through interagency partnerships and data-sharing agreements with capable partners to identify the surviving children of people who have passed away from COVID-19 and verify income eligibility.

Second, the children’s accounts will be publicly funded without relying on household contributions. Funds will be protected in investment vehicles selected for a balance of growth and liquidity to ensure that children who reach 18 and gain access to their accounts can withdraw from them as needed. Unlike models 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.

Third, the amount of funds invested in and made available to program participants is substantial enough to make a material difference in their lives. While a one-time infusion of \$4,000 to \$5,000 may not be sufficient to purchase a home in California, financial planning and mentorship services will help HOPE-eligible youth make powerful financial choices with these funds upon reaching young adulthood. 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. Importantly, the investment model used by the HOPE program will ensure that participating youth will receive at least between \$4,000 to \$5,000 in 2024 dollars, adjusting for inflation.

Building on the success of state and federal cash infusion programs, like the wildly effective now-expired federal Child Tax Credit, California’s HOPE Program does restrict the use of funds. This is particularly important in a state where the average home purchase price has hovered around three-quarter million dollars in recent years.<sup>13</sup> The HOPE Act specifically names increasing economic autonomy as one of its legislative intent. In the HOPE program, young people, 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 finding additional government and other resources they may qualify for to develop a personalized plan for the best use of funds for their future.

Insert chart: Select Baby Bonds Programs.<sup>14</sup>

	California	Connecticut	Washington, D.C.	Federal
Status	Legislation passed and funded	Legislation passed and funded	Legislation passed but not yet funded	American Opportunity Accounts Act (proposed 2021)
Intended beneficiaries	Approximately 50,000 children	Approximately 15,000 babies	Approximately 4,150 babies	Universal eligibility and

A Legislative Toolkit for Building a Brighter Future in Your State, Shira Markoff, <https://prosperitynow.org/sites/default/files/resources/Baby-Bonds-Legislative-Toolkit.pdf>

<sup>13</sup> <https://fred.stlouisfed.org/series/CASTHPI>

<sup>14</sup> The State of Baby Bonds, Madeline Brown, Ofronama Biu, Catherine Harvey, and Trina Shanks February 2023 <https://greaterdc.urban.org/sites/default/files/2023-02/The%20State%20of%20Baby%20Bonds.pdf>



	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 or as a consequence of long COVID and their household income before the decedent's death qualified them for Medi-Cal for Children.	annually beginning on July 1, 2023, whose birth is covered by HUSKY, Connecticut's Medicaid program.	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. <sup>15</sup>	enrollment with higher annual deposits for children from families with low incomes.
Initial and subsequent deposits	Older children will receive larger deposits	\$3,200 plus interest earnings	\$500 initial deposit, up to \$1,000 annual deposits, plus interest earnings	\$1,000 initial deposit pls up to \$2,000 annually based on family income
Total funds per youth	Between \$4,000 - \$5,000 in 2024 dollars	\$10,000-\$12,000	\$15,000-\$25,000	Up to \$50,000
Allowed uses	Unrestricted	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 program components	Free, incentivized financial planning services including individual financial mentors and programs for money	Required financial literacy training		

<sup>15</sup> <https://www.dropbox.com/s/1eh85sqy83webmz/REIABill24-0236BabyBonds.pdf?dl=0>

	management and wealth building			
Investment financing	State funds invested for liquidity and growth beginning with \$100 million appropriated in FY 2022 plus \$15 million annual allocation beginning FY 2023	\$381 million in reserves invested for growth	\$32 million in the first four years from general appropriations	General fund

**B. Methodology for Preparing this Report to the Legislature**

This report is submitted to the Department of Finance and the California Legislature by the HOPE Governing Board through the Office of the State Treasurer to describe the plan for establishing and maintaining HOPE trust accounts for eligible children.<sup>16</sup> The initial HOPE Board consists of the following individuals 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/EPIC, Senate Appointee
- Jamie Lee, CEO Jamison Group of Companies, Assembly Appointee
- Michael Tubbs, Founder of End Poverty in California (EPIC), \_\_\_\_\_ Appointee
- Robert Friedman, Founder, Prosperity Now, Governor Appointee, Advisory member (Nonvoting)
- Camilla Chavez, Executive Director, Dolores Huerta Foundation, Governor Appointee, Advisory member (Nonvoting)

The report includes findings and recommendations of the HOPE Advisory Workgroup, which was convened on January 31, 2023, pursuant to the HOPE Act 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 an eligible child and eligible youth, and the process for program enrollment and continuous measurement of outcomes of the HOPE trust accounts.<sup>17</sup>

Over 40 subject matter experts and community leaders joined the Advisory Workgroup, including representatives from 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

<sup>16</sup> Chapter 16.1 of the California Welfare and Institutions Code added by Stats. 2022, Ch. 569, Sec. 57.

<sup>17</sup> WIC 18997.54.

Department of Corrections and Rehabilitation; community stakeholders with knowledge and experience in poverty alleviation, youth development, access to banking for underbanked individuals, asset building, 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.<sup>18</sup>

HOPE staff and Members of the Advisory Workgroup organized into four subgroups to tackle the work of designing the program as prescribed by statute.<sup>19</sup>

- The Eligibility and Outreach subgroup focused on developing definitions and 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.
- The Data Sharing and Privacy subgroup focused on identifying 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.
- The Funds per Youth and Investments subgroup has been working to identify 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 modeling the possible amounts of investment per program enrollee and the range of financial outcomes.
- The Administration and Timelines subgroup has focused on determining 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; identifying evaluation goals and strategies; and establishing the timelines for implementation of the HOPE Act.

Each Advisory Subgroup met 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 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 coordinate 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, and November. In total, the HOPE Program staff, Governing Board, Advisory Workgroup, and subgroups met 27 times between January and November 2023, all of which were publicly noticed meetings to which members of the public were invited, per California's Bagley-Keene public meeting rules.<sup>20</sup> Meeting agendas and materials are all available via <https://www.treasurer.ca.gov/hope/meeting/index.asp>.<sup>21</sup>

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<sup>18</sup> WIC 18997.54

<sup>19</sup> WIC 18997.54

<sup>20</sup> GOV 11120.

<sup>21</sup> Each meeting's agenda and materials were prepared by HOPE Program staff and other members of the Office of the State Treasurer under the direction of Executive Director Kasey O'Connor with the support of consultant

[Insert a screenshot of an Advisory Workgroup Teams meeting]

In addition, members of the HOPE Board, Advisory Workgroup, and staff agreed that the HOPE program could not be designed without significant direction from youth who would be directly impacted – those with lived experience who could best advise the adults on how its intended beneficiaries would receive HOPE program design elements. To that end, the HOPE Program consultant worked with leading advocates at Ending Poverty in California (EPIC) and GRACE End Child Poverty Institute 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 Latino. They are from Sacramento, Kern, Merced, Contra Costa, San Diego, Los Angeles, San Bernardino, and Alameda counties.

The breadth of their lived experience is simultaneously jaw-dropping and reflective of what many of the HOPE intended beneficiaries go through as trauma-impacted kids. For example, “K” 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, K 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 “A,” whose mother passed from COVID-19. Now 21, A 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. Another youth 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.

[Insert a group photo of the YPE]

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 K recently put it. They are just as excited about having the financial management services because, as A 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

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Andrea Luquetta of Pa’lante Collaborative Services, contracted via a competitive request for proposal process in February 2023.

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 K, “I never had resources for food and stuff. Being in foster care and exiting out will be very expensive. So, [this would be] a stepping stone to get on your feet if you use it correctly.”

## II. The HOPE Program Implementation Plan

The remainder of this report will cover the purpose and expected impact of the HOPE Program and will include a detailed implementation plan that will guide the program to its official launch in 2025. It will cover 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 will include a list of statutory changes that may be necessary, are recommended, or should be considered to create “opportunities, economic autonomy, and hope,” and to “promote 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.”<sup>22</sup>

### HOPE Program Implementation Dates, Goals, and Milestones

EXPECTED DATES	GOALS AND MILESTONES
January, 2023	HOPE Advisory Workgroup convened
February, 2023	HOPE Board of Governors convened
April, 2023	HOPE consultant contracted (Pa'lante Collaborative Services)
April - November, 2023	HOPE Advisory Sub-workgroups convened
October, 2023	Narrative design team contracted (Loma Media Partners)
January, 2024	HOPE report with implementation plan submitted to the legislature
January, 2024	Investment consultant contracted
March, 2024	Selection of financial planning services finalized
June, 2024	HOPE investment firm contracted
June, 2024	SB 242 passes
July, 2024	Statutory changes become operative
July, 2024	Notice of proposed rulemaking issued
July - September, 2024	Public comments and hearings on proposed regulations
September, 2024	HOPE Board adopts regulations
October-November, 2024	Regulations become operative
November, 2024	Interagency agreements finalized
November, 2024	Program management firm contracted
December, 2024	Community partnership agreements finalized
January - April, 2025	Remaining vendors contracted (i.e., web portal, evaluation team)
April- July, 2025	HOPE community outreach and education conducted
July, 2025	HOPE eligible children identified, accounts funded

<sup>22</sup> WIC 18997.5.

## A. Auto-Enrollment of Eligible Children

The HOPE Act<sup>23</sup> defines eligible children as:

- (a) 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; or
- (b) Long-term foster children: Children under 18 who have been in foster care for at least 18 months or were placed into foster care after age 16 and parent reunification services have been terminated. 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.<sup>24</sup>

The HOPE Program will create accounts for all youth who meet these criteria as of September 27, 2022, when the statute became effective.

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. The Program intends to take great care to avoid burdening children and youth participants 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. Unlike other California programs, where child and youth participants can rely on parents who have their children's best interests in mind, the HOPE program must be accessible to children directly. 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 and coordinates with tribal courts and tribal foster programs indicates that there are approximately 49,000 children in California who have spent 18 months or more in the foster care system since March 2020 [this number is subject to being updated to eligibility as of September 2022].

Statistically, these children are less likely to be adopted before becoming adults, more likely to have 50 percent lower earnings and employment rates that are 20 percentage points lower by age 26 compared

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<sup>23</sup> WIC 18997.51.

<sup>24</sup> California children who have been placed into foster care out of state are still considered residents.

to a sample of young adults with similar levels of education while as many as one-third experience homelessness.<sup>25</sup>

Children who are eligible for a HOPE Account will include minors who are undocumented, indigenous, from low-income and immigrant families, impacted by the carceral system, parents of young children, multi- and non-English mono-lingual, youth with disabilities or major mental and other health issues, victims of and vulnerable to identity theft, homeless, children of essential and other highly COVID impacted families, and many others who live at the intersection of multiple and systemic socially and economically marginalizing forces. These children may often be hard to reach and stay in touch with over time.

HOPE will work closely with CDSS to auto-enroll these children. Thankfully, CDSS can access records kept as a normal part of coordinating the state's foster system. Through an interagency data-sharing agreement with HOPE, CDSS will identify every child that meets the 18-month mark in the foster system. Without identifying the child, CDSS will inform HOPE that they exist so that a HOPE account can be created for them. HOPE will then work with CDSS to inform the child, their foster parent(s), case worker, and other adults responsible for that child that a HOPE account exists for them and provide instructions on how to log in to the account.

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.<sup>26</sup> 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 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 HOPE program will use 10,000 as the number of possible income-eligible COVID-19 bereaved children expected to be enrolled beginning in 2025.

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. CHSI will match information found in the death certificates of the approximately 105,000 people who have passed away in California from COVID-19 against 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, and verify their age and household income prior to the decedent's death. Once verified, HOPE will create accounts for each child

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<sup>25</sup> Economics of Foster Care, Anthony Bald, Joseph J. Doyle Jr., Max Gross, and Brian A. Jacob, *Journal of Economic Perspectives*—Volume 36, Number 2—Spring 2022—Pages 223–246

<sup>26</sup> <https://www.covidcollaborative.us/assets/uploads/img/HIDDEN-PAIN-FINAL.pdf>

and provide materials to the children and their surviving parent(s) along with information about how to log in to their accounts and participate in offered services.

## B. Manual Enrollment 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 process manual enrollment, an eligible participant, or their legal representative, must contact the HOPE Accounts Program and provide information to establish eligibility. This information may include documents, including signed attestations, that establish eligibility for enrollment as a COVID Bereaved Low-Income Child (a child 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 prior to the death of that parent, custodian, or guardian, would have qualified the child for Medi-Cal benefits).

Where possible, we will work with the National Association for Public Health Statistics and Information Systems (NAPHSIS) to verify death certificate information. We will also accept signed attestations 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.

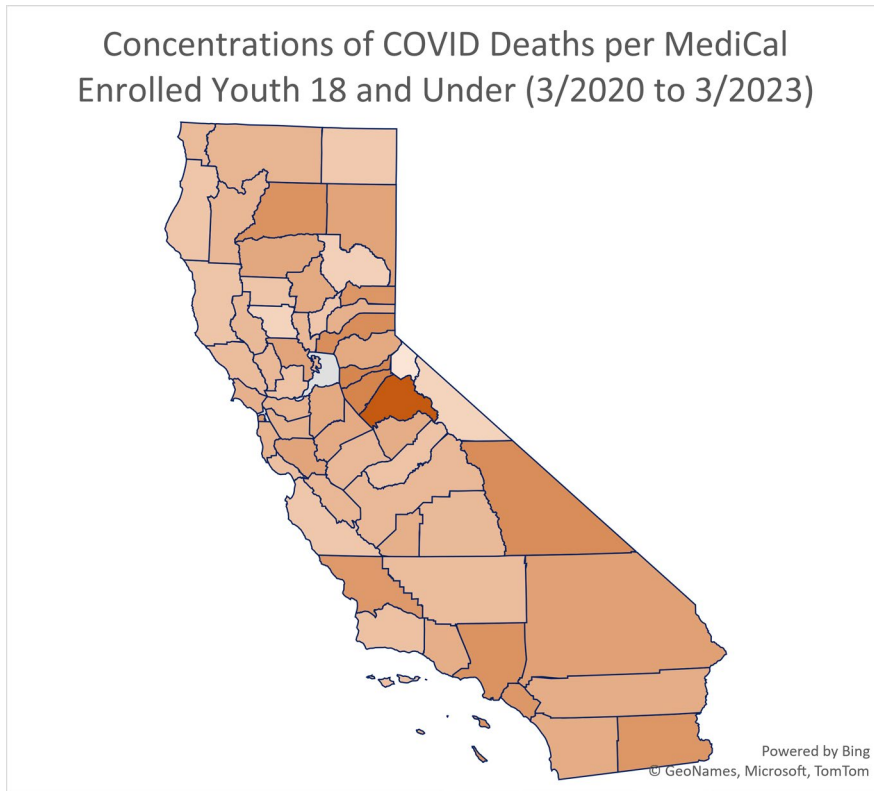
## C. Outreach Partners and Materials

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.

HOPE is now working with a combination of COVID researchers, service providers, and support networks to develop a highly targeted outreach strategy using data about the geographic areas and industries most impacted by COVID, lessons learned by COVID relief efforts, and existing support networks such as churches and other social networks. The goal is to partner with community-based organizations and well-established social networks that have trusted relationships with foster youth and COVID-19-impacted low-income families. They will 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 operate within a data stewardship agreement of data protection and lessening the stigma for participation in programs and services.



Geographically, the HOPE program will target outreach resources to areas with high concentrations of COVID-19 deaths compared to the number of children (youth 18 and under) who were enrolled in MediCal for Children in the same time period (2020 to 2023).



<i>County</i>	<i>Probability of Low-Income COVID Bereaved Children</i>	<i>Cumulative Deaths</i>	<i>MediCal Enrolled Youth 18 and Under (03/20 to 03/23)</i>
Tuolumne	0.011	219	19,045
Calaveras	0.008	145	18,182
Amador	0.008	99	12,692
Inyo	0.007	67	9,255
Placer	0.007	725	101,280
Shasta	0.007	660	97,764
Los Angeles	0.007	35,771	5,305,387
Sierra	0.007	6	919
Imperial	0.006	991	152,732
Orange	0.006	8,117	1,281,474
San Luis Obispo	0.006	592	94,730
San Francisco	0.006	1,255	206,274
San Bernardino	0.006	8,368	1,485,548
Lassen	0.005	68	12,581
Yolo	0.005	466	86,340
Santa Clara	0.005	2,924	555,982
Tehama	0.005	240	47,837
Butte	0.005	530	107,749

El Dorado	0.005	271	55,329
San Joaquin	0.005	2,509	512,448
Stanislaus	0.005	1,914	402,372
San Diego	0.005	6,117	1,310,371
Riverside	0.005	7,023	1,514,677
Mariposa	0.005	33	7,177
Ventura	0.005	1,743	383,027
Kings	0.004	488	111,194
Marin	0.004	284	66,363
Nevada	0.004	150	35,127
Sacramento	0.004	3,669	868,382
Alameda	0.004	2,255	541,549
San Mateo	0.004	827	199,700
Contra Costa	0.004	1,682	411,751
Siskiyou	0.004	102	25,677
Trinity	0.004	26	6,810
San Benito	0.004	121	32,625
Napa	0.004	195	53,572
Merced	0.004	925	254,417
Fresno	0.004	3,055	842,575
Sutter	0.004	248	68,452
Lake	0.004	168	46,893
Tulare	0.004	1,627	455,811
Del Norte	0.003	61	17,484
Sonoma	0.003	618	187,492
Kern	0.003	2,540	775,440
Santa Cruz	0.003	329	108,606
Santa Barbara	0.003	813	272,254
Solano	0.003	538	188,729
Madera	0.003	390	139,044
Glenn	0.003	62	23,198
Mendocino	0.003	156	58,434
Humboldt	0.003	190	74,551
Yuba	0.003	143	56,478
Monterey	0.002	837	337,692
Modoc	0.002	12	5,118
Plumas	0.002	15	8,750
Mono	0.001	8	5,566
Colusa	0.001	27	19,285
Alpine	-		46

Central to our outreach strategy will be the development of materials that speak effectively to the intended audience: HOPE-eligible children and those closest to them. Loma Media Partners, selected via a competitive request for proposal issued by the HOPE program, is a team of proven strategists and visionary creatives who will work with the HOPE Governing Board, staff, and the Youth Panel of Experts to constrict core narrative messages and materials, using graphic design, illustration, photography, digital and video content, text, and any combination of these and other media formats, that:

- Encourage and facilitate youth enrollment in and engagement with HOPE accounts utilizing themes of opportunity, economic autonomy and wealth-building capacity, hope, and other goals stated in the HOPE Act,
- Can be used by partnering 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,
- Will inspire additional investment and expansion by policymakers and philanthropic leaders,
- Promote core liberatory social and economic narratives about the deservedness, resilience, wisdom, success, and independence of eligible youth and counter socially and economically oppressive narratives rooted in anti-Blackness, racism, xenophobia, disability, ageism, and similar cultural values, and,
- Can be built upon and adapted as the program expands to benefit additional low-income children and youth.

Promotion of core cultural, social, and economic narratives will be co-designed and co-created with the Youth Panel of Experts that will center eligible youths' agency in developing their future and support their understanding that the funds in HOPE Accounts as resources that, when distributed, are solely theirs to manage and invest to benefit their future. This is a critical design element of the HOPE Program since one of the stated legislative intents in the HOPE Act is strengthening participants' economic autonomy.

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The HOPE Program outreach strategy must be tailored to youth because it targets children who, by definition, lack the benefit of two parents reliably watching out for their best interests. Long-term foster children and low-income kids who have lost a parent or guardian to COVID-19 are among the most financially vulnerable kids in California. Many of these kids will 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. COVID-19 has disproportionately impacted Latine/Hispanic and African Americans ages 18 to 34, as well as women and immigrants in low-wage jobs.<sup>27</sup> Meanwhile, the proportions of Black and Native American youth in foster care are around four times larger than the proportions of Black and Native American youth in California overall.<sup>28</sup> 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. At worst, they may have experienced logistical challenges that made accessing other resources too complicated or

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<sup>27</sup> <https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Age-Race-Ethnicity.aspx>;  
<https://laborcenter.berkeley.edu/covid-chartbook/>

<sup>28</sup> <https://lao.ca.gov/handouts/socservices/2023/Disproportionalities-in-CWS-032223.pdf>

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. 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 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.

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#### D. 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.

#### E. The HOPE Fund and Investment Strategy

The HOPE Act established the HOPE Account Fund in the State Treasury with \$100 million appropriated through the fiscal year 2022 budget.<sup>29</sup> The Fund also receives \$15 million every year, also through appropriations. To date, \$115 million has been received through the California budget process for the HOPE Fund. Money in the fund shall be used to establish HOPE trust accounts for an eligible child and to provide initial deposits and any future deposits into the accounts. Only 5% of total appropriations may be used to fund operations of the HOPE Program. All assets of the 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.

The Act permits that the Treasurer may 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, and, deposit money in the HOPE Fund for investment in the Surplus Money Investment Fund pursuant to Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code. At its meeting in August 2023, the HOPE Governing Board authorized the investment 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. 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 \$5,000 and \$7,000 million through short-term investments of the

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<sup>29</sup> WIC 18997.53

\$115 million that has been made available to the HOPE Fund through appropriations in the fiscal year 2022 and 2023 state budgets.

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 Group, Governing Board, and eligible children and youth to develop investment management goals, principles, and policies and help HOPE's fiduciaries to create an investment plan that will maximize both the number of children who may be enrolled in the program and the amounts to distribute to HOPE Account beneficiaries. The investment consultant will also help draft a request for proposals from investment managers who will be contracted by November 2024 to manage the Fund's investments and coordinate with the HOPE program manager to fund all accounts.

The investment manager will have multiple responsibilities including, ensuring maximum return on the HOPE Fund while safeguarding liquidity necessary to fund all of the children's accounts and allow for those turning 18 to exercise their right to withdraw funds for their use; structuring investments that will allow for and inspire additional investment and expansion by policymakers, philanthropic leaders, and other potential investors, and, eventually, helping to expand and adapt the program to benefit additional low-income youth.

As required by the HOPE Act, the investment manager will also ensure that grants, gifts, appropriations or other moneys can be added to the HOPE Fund 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.<sup>30</sup> Two possible avenues toward this under consideration include creating a public foundation that can attract and direct donor funds as well as an impact investment vehicle that generates returns to be capitalized into the HOPE Fund.

HOPE will work closely with leaders in California's philanthropic community, including the Governor's Senior Advisor for Social Innovation, to collaborate with them about the need for private partners, as much from the local level as from within centers of power, to ensure the HOPE program partners have the resources they will need to partner with HOPE. Additionally, The HOPE Program Board and staff shall explore options for partnering with, and/or establishing, a foundation in the future to further the mission outlined in The HOPE Act, which is to expand the program eventually to all children born into low-income households in California.

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HOPE's Leadership Role for Philanthropy

All of the money included in the HOPE Fund is required 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

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<sup>3030</sup> WIC 18997.52

to find other sources of funds to provide the financial planning and wealth building 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.<sup>31</sup>

The HOPE program plans to work with community foundations and other philanthropic institutions that support kinship care, health workers (often called *promotoros/as* in Spanish-speaking communities), tribal support efforts and similar grassroots efforts who could be the key to reaching every kid, undocumented, tribal, and otherwise who deserves a state investment in their future.

Philanthropic leadership can also help make real the vision where, as a state, California invests in the future of all low-income children. Working to meet the needs of two hardest hit communities targeted by the HOPE act - long term foster youth and COVID bereft children, HOPE program designers are building program infrastructure that is trauma informed and can meet the sometimes complicated needs that children have when they are squarely at the intersection of poverty, racism, immigration status, public health crises, and destabilized familial structures.

HOPE Board members will be reaching out to strategic thinkers in California's philanthropic centers to help design a way for the HOPE program to continue centering and meeting economically vulnerable kids where they really are instead of having to bend too much in favor of administrative efficiency for the sake of scale. The aspiration is to operate at scale without sacrificing integrity and intention.

The state legislature and Governor have provided dollars that are needed to invest in these kids. HOPE needs additional private partners, as much from the local level as from within centers of power, to help build the outreach, ongoing support, learning, and adjustment mechanisms to make those dollars meet the statute's legislative intent of creating opportunities, economic autonomy, and hope, and to promote

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<sup>31</sup> 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.

intergenerational wealth and asset building to “the maximum amount of children who may be eligible.”<sup>32</sup>

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#### F. HOPE Funds per Youth

Conservatively, the HOPE program is expected to have at least \$145 million available to fund the accounts when the program goes operational in 2025. This is based on the total funds that will have been appropriated through the state budget including that for fiscal year 20225, the expected returns on the short-term investment of the \$115 million available as of October 2023, and allows for up to 5% of appropriated resources for operational costs (\$7.25 million for all program staff, consultants, and contracted vendors). *[This must be updated when we have more accurate return on investment numbers closer to publication.]*

It includes an estimated 10,000 income-eligible COVID-bereaved children and the 48,408 long-term foster youth that CDSS has identified were eligible for HOPE accounts, even if they are over 18 years old at the time of the program’s launch.<sup>33</sup> *[This must be updated when we have more accurate return on investment numbers closer to publication.]*

With this information, the Board has considered several possible models for account deposit structures. After considering various possible scenarios, the Board recommended that this implementation plan assume a 1% real rate of return (3.7% -4.0% nominal rate). This is more conservative 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.<sup>34</sup> It also allows the rate of return to exceed the rate of inflation, which has been 2.7% over the past 20 years, for meaningful gains. 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.

Estimated Breakdown of HOPE-Eligible Children by Age<sup>35</sup> *[This must be updated when we have more accurate return on investment numbers closer to publication.]*

Under 5	28%
Ages 6 to 10	24%
Ages 11 to 15	20%
Ages 16 to 17	11%
Age 18+	17%
Total	100%

<sup>32</sup> WIC 18997.54.

<sup>33</sup> Hope eligible children who are reunified with their parent or legal guardian, adopted, enter into a tribal customary adoption, or placed into a legal guardianship, will not receive additional annual investments beginning 12 months after such change but will be entitled the funds already in their accounts plus any accrued earnings. WIC 18997.51

<sup>34</sup> <https://www.treasurer.ca.gov/scholarshare/calkids2023.pdf>

<sup>35</sup> Per information provided by CDSS as of March 2023

Given that the interests of otherwise eligible youth who were under 18 vested when the HOPE Act became effective in September 2022, and in order to ensure that HOPE-eligible youth who will soon turn or already have turned 18 will have access to their funds, it will be necessary to deposit at least \$4,000 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.

[Request and insert detailed model to be developed by CBPC]

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. *[This must be updated when we have more accurate return on investment numbers closer to publication.]*

#### G. HOPE Financial Planning and Wealth Building 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 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
- California's retirement savings program CalSavers,
- the California Office of the Small Business Advocate, and
- 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.

All services will be offered for free, and in some cases, incentivized through additional deposits into individual accounts, to all HOPE participants from the age at which they enroll until they turn 30 years old. The HOPE program will work with members of the Advisory Workgroup and other stakeholders to identify an array of financial 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.

The resources being discussed currently include, but are not limited to:



- A personal financial mentor 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.
- 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 could help facilitate 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.

All HOPE participants will have access to a financial dashboard through the web portal that all with 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.

HOPE program staff expects to finalize the types of financial planning and wealth building services that will be offered by March 2024. HOPE will work with the Youth Panel of Experts and leading financial capacity building experts, many of whom already serve in the HOPE Advisory Workgroup, to identify the most appropriate and effective services to offer through providers who evidence-supported, trauma-informed, and age-appropriate programs. HOPE will also convene philanthropy CEOs, program officers, donor-advised fund managers, and other potential private donors to begin to formulate a statewide strategy to support delivery of these services through multi-year funding strategies.

#### H. Program Plan Management and Funds Distribution

By November 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 in a manner that is accessible to youth in multiple languages and the ability to work with community assisters. This is because we expect many children will come to the program through community outreach, often not knowing or having documentation about the details necessary to enroll. The program manager must be able to work with community partners as well as through interagency data sharing partners to leverage the information that children or their community assisters will be able to

provide to complete and verify necessary records and provide helpful customer service to ensure that the child is able to engage with the program successfully.

The HOPE Advisory Workgroup has determined that participants should have the option 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 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.)

The program manager selected will be responsible for distributing funds to program participants safely, ensuring secure transfer to accounts and in instruments that will be wholly owned and controlled by the participant (rather than any that may be owned by others such as relatives or other adults) and minimizing any costs associated with transferring funds to external accounts. Security of transfer is paramount given that foster children, who will initially 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.<sup>36</sup> 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. Even members of the HOPE Advisory Workgroup with relevant lived experience shared that adults that they trusted as children took advantage of their clean credit histories and access to accounts, whether in times of crises or otherwise.

#### Safeguarding Distributions Against Unintended Costs

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. 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.<sup>37</sup> 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.

Currently, Senate Bill 242 would, to the extent permitted by federal law, prohibit funds deposited and investment returns accrued in a HOPE trust fund account from being considered as income or assets when determining eligibility and benefit amount for any means-tested program until an eligible youth

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<sup>36</sup> [https://oag.ca.gov/sites/all/files/agweb/pdfs/privacy/foster\\_youth\\_credit\\_records.pdf](https://oag.ca.gov/sites/all/files/agweb/pdfs/privacy/foster_youth_credit_records.pdf)

<sup>37</sup> <https://www.cde.ca.gov/ls/nu/guarincomepilotprogexem.asp>

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.<sup>38</sup> 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, including those administering the Connecticut program, are already coordinating with federal policymakers to address this issue.

### I. HOPE Regulations, Reporting, and Evaluation

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.<sup>39</sup> 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.

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.

Finally, the HOPE program will contract with an external evaluation partner to analyze its performance for accountability and learning. Evaluation techniques will include 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:

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<sup>38</sup> <https://www.irs.gov/newsroom/irs-issues-guidance-on-state-tax-payments#:~:text=IR-2023-158%2C%20Aug.%2030%2C%202023%20%E2%80%94%20The%20IRS%20today,made%20by%20state%20or%20local%20governments%20to%20individuals.>

<sup>39</sup> WIC 18997.53.

- 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."<sup>40</sup> 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.

### III. Statutory Changes and Budget Allocation

The HOPE Governing Board also envisions a future where, as a state, we invest in the future of all low-income children. 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) Change the name from HOPE.** The 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. Continuing to use the name HOPE is causing extreme confusion for stakeholders for both programs. Potential names discussed include CalFuture, CalASPIRE, CalACHIEVE, and CalFoundation. These options have been vetted by HOPE program staff to ensure no duplication of names with another state entity or program.
- 2) Distributions should not count as income or "resources" for any purposes.** Funds withdrawn by or distributed to HOPE beneficiaries should be excluded from income and resources for the purposes

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<sup>40</sup> WIC 18997.5 and 18997.55

of state taxation as well as for all means-tested state and county programs, including participation in extended foster care after leaving foster care. In addition, monies in these accounts should be subject to inflation to ensure the monies continue to match with the economy at any time.

- 3) **Clarify that COVID bereaved children are eligible when COVID or long COVID are listed as an underlying cause of death on a death certificate.** We have learned that death certificates will list both cause (heart attack) and underlying cause (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 2 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.”
- 4) **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.

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, often 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) **Create a way to identify children who might be eligible for HOPE by adding a check box 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.**
- 3) **Add a voting seat on the HOPE Governing Board, one for a person who has been in foster-care for 18 months and one for a person who has lost a parent, guardian, or primary caregiver to death caused by or as a consequence of COVID-19 or long-term COVID.** 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.

The HOPE Board also recommends the legislature discuss and explore potential budgetary infusions, along with long-term sustainable revenue sources, to allow for the growth of the program to seed every child born into low-income households in California eventually. California Budget and Policy Center estimates for necessary amount of capital needed to grow to all households with children born into MediCal is approximately \$3-3.5 billion. Revenue sources may include:

- A on- time budget appropriation of \$3 billion to cover all children ongoing who are born into MediCal households,
- Issuing low risk bonds of varying maturation dates, and
- Encumber unspent federal COVID relief dollars for the use of the program.

#### IV. Conclusion

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