

## **INITIAL STATEMENT OF REASONS**

### **THE CALIFORNIA HOPE, OPPORTUNITY, PERSEVERANCE, AND EMPOWERMENT (HOPE) FOR CHILDREN TRUST ACCOUNT PROGRAM**

#### **Proposal To Add Chapter 16: California Hope, Opportunity, Perseverance, And Empowerment (Hope) For Children Trust Account Program, Sections 10500 To 11000 to Title 10: Investment of the California Code of Regulations.**

## **I. INTRODUCTION**

The California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Act (AB 156, "the HOPE Act") is a new law that became effective September 27, 2022, and is encoded Chapter 16.1 of the Welfare and Institutions Code (Sections 18997.5 to 18997.55). The HOPE Act established within the Office of the State Treasury the HOPE Fund, comprised of a one-time budget appropriation of \$100 million plus an expected \$15 million in ongoing annual appropriations, and the HOPE for Children Trust Account Program (HOPE program) to provide each eligible child with their own economic asset: an account that is held in trust by the state that will receive annual deposits from the Fund.

## **SUMMARY PROBLEM STATEMENT**

As a new program created by recent legislation, there are currently no existing regulations to support the administration of the HOPE program. The HOPE Board of Directors submit these proposed regulations to remedy said issue. Welfare and Institutions Code ("WIC") Section 18997.52 (h) provides that the Board of Directors of the HOPE Program "may adopt regulations to implement this chapter consistent with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code)."

The HOPE Board of Directors proposes the following regulations for the reasons discussed below.

## **II. PROPOSED REGULATIONS, THEIR PURPOSE, BENEFITS, AND NECESSITY**

### **Creation of Chapter 16, California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Program**

We propose the creation of Chapter 16, California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Program within Title 10: Investment of the California Code of Regulations (“CCR”).

#### **PROBLEM STATEMENT**

As there are no existing regulations to support the administration of the HOPE program, there is no existing chapter within a title in the CCR to which these proposed regulations can be added.

#### **BENEFITS**

Placing Chapter 16 within Title 10 allows interested parties to find HOPE program regulations in an area where similar programs regulations are located, specifically those similar programs under the authority of the State Treasurer’s Office, thereby minimizing search time and confusion.

#### **PURPOSE**

We propose creating Chapter 16 and adding it within Title 10 which houses regulations for several state-sponsored investment programs that are administered through California’s Office of the Treasurer and are similar to the HOPE program. These include Chapter 14, California Achieving a Better Life Experience (Able) Act Board and Chapter 15, CalSavers Retirement Savings Board. Like CalAble and CalSavers, the California HOPE program is a savings program for individuals.

#### **NECESSITY**

The proposed HOPE program regulations need an individual Chapter within the existing California Code of Regulations in a place that makes sense given the mission of the program, which is to provide a state-sponsored investment program for eligible participants.

#### **TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS**

California is one of the most diverse states in the nation and has the nation’s highest rate of expanded poverty and the second lowest rate of home ownership, U.S. Census Bureau of labor Statistics: [Data and Statistics | U.S. Department of Labor \(dol.gov\)](#). According to Friedline, (2012), espoused that access to wealth is the most significant predictor of the future financial success of a child. Kimberlin, Bohn, Danielson, Malagon, & Wimer (2023) in the paper at public institute of California, titled “Poverty in California, October 2023, argued

that despite decades of statewide economic growth, nearly a third of Californians, including over 1.5 million children, are living in or near poverty, and the opportunity to build wealth is out of reach for children growing up in poverty. However, lack of wealth falls heaviest on Black and Latine children who experience poverty at rates of 17.8% and 19.5% respectively, compared to 7.2% for non-Hispanic, furthermore, white children of non-citizens experience disproportionately high poverty at more than twice the rate of the U.S. born population. <https://policycommons.net/artifacts/11764896/poverty-in-california-technical-appendices/1265293>

Friedline, T. (2012). Predicting children's savings: The role of parents' savings for transferring financial advantage and opportunities for financial inclusion. *Children and Youth Services Review*, 34(1), 144-154. Retrieved from [Predicting children's savings: The role of parents' savings for transferring financial advantage and opportunities for financial inclusion - ScienceDirect](https://www.sciencedirect.com/science/article/pii/S0190731411399999)

Kimberlin, S., Bohn, S., Danielson, C., Malagon, P., & Wimer, C. (2023). Poverty in California Technical Appendices-Sara Kimberlin, Sarah Bohn, Caroline Danielson, Patricia Malagon. Retrieved from <https://policycommons.net/artifacts/11764896/poverty-in-california-technical-appendices/1265293>

U.S. Census Bureau of labor Statistics: Retrieved from [Data and Statistics | U.S. Department of Labor \(dol.gov\)](https://www.bls.gov/data)

## **ECONOMIC IMPACT ASSESSMENT/ANALYSIS**

Assembly Bill 156 (Chapter #569, approved September 27, 2022) created the HOPE Act (the Act) within the Welfare & Institutions Code to help close the racial wealth gap and confront the issue of intergenerational poverty by creating a new financial investment tool specifically catered to vulnerable children throughout the state. The HOPE Program shall provide a trust account to eligible children who were bereaved by COVID-19 during the public health emergency, as well as children who have been in the foster system for over 18 months. Through a one-time \$100 million investment in fiscal year 2022 and ongoing \$15 million appropriate annually from State General Fund, HOPE will invest in wealth building asset for California's most at risk population. This regulation will provide clarity and instruction to implement AB 156 and provide disbursement of trust accounts for youth enrolled in the HOPE Trust Account for Children.

## **EVIDENCE SUPPORTING FINDING NO SIGNIFICANT ADVERSE ECONOMIC IMPACT DIRECTING AFFECTING BUSINESS.**

While HOPE did create a new board with 4 staff, it is not expected that this regulation will create more jobs or eliminate any jobs within California.

The board does not anticipate increasing or eliminating businesses within California.

It is not anticipated that the implementation of the HOPE Act will have a negative cost consequence upon the State as it will be providing funds to the population described and where administrative costs are accounted for within the Act. The amount provided per participant is anticipated to be \$4500 (in 2025 dollars), we anticipate having 48,500 accounts when the program launches. It is not anticipated that those funds will be used immediately and inserted into the current economy but where the funds will be disbursed over the long-term.

### **ALTERNATIVES DETERMINATION**

The HOPE for Children Trust Account Program is the first in the nation to provide a trust account to eligible children, specifically COVID bereaved children. As such, HOPE has not identified alternatives to this program.

There are no duplications or comparable federal regulations.

### **§10500 (a)**

#### **PROBLEM**

The HOPE Act defines some terms but not all that are needed to implement this program.

#### **BENEFIT**

By incorporating terms defined in the statute, the program clarifies it is adhering to the legislative directives and intent, while also keeping these regulations concise by not repeating existing statutory definitions.

#### **PURPOSE**

This regulation notifies the public and stakeholders that the terms defined in the HOPE Act will be used with the same definitions in these regulations and also alerts that we are defining additional terms.

#### **NECESSITY**

This section alerts the public and stakeholders that new definitions are added which will be needed to administer the program

### **§10500 (b), (c), and (d)**

#### **PROBLEM**

WIC Section 18997.51 refers to but does not define "COVID-19," "long-Covid," and "consequence of having long-term COVID-19".

### **BENEFIT**

These regulations used the definitions used by the CDC and the California Department of Public Health, which are required to maintain and update official guidance on public health matters and are relied upon by the California agencies that HOPE will partner with to administer the program and the local officials who generate official death certificates.

### **PURPOSE**

This regulation alerts the public and stakeholders that the program is using and referencing definitions used by the qualified federal and state health entities responsible for the protection of the public's health and who update the definition(s) and characteristics and consequences of these illnesses for the benefit of the public good.

### **NECESSITY**

These are illnesses and consequences of illnesses whose characteristics continue to change pursuant to scientific advancements. These definitions use the most common terms used by the CDC and the California Department of Public Health and recognizes that there may be other terms that will arise as the science and standard definitions evolve.

### **§10500 (e)**

### **PROBLEM**

The HOPE program will offer financial education and money management training services to program enrollees to meet the statutory objective of reducing the financial inequality of enrollees, this term must be defined and clarified as it is not currently existing authority.

### **BENEFIT**

This definition includes terms that the California Department of Education has used as core competencies for financial literacy skills for youth as well as some of the most common terms used by the most established providers of these services.

### **PURPOSE**

Defining these services allows the public and stakeholders, including program enrollees, their adult caretakers, members of the public, and service providers a clear understanding of what these services encompass and their intended impact.

### **NECESSITY**

WIC Section 18997.5(c) directs the HOPE program to create "economic autonomy" for eligible children and youth as well as to help close societal wealth gaps. Offering the services as defined will empower enrolled youth to receive guidance on how to use the funds they will receive through the HOPE program.

### **§10500 (f)**

#### **PROBLEM**

The HOPE Act refers to this definition but does not include it in the list of defined terms.

#### **BENEFIT**

Defining this program clearly allows for it to be referred to in shorthand elsewhere in the regulations.

#### **PURPOSE**

Provides a clear definition and citation of the program whose income eligibility will be used to administer the HOPE program.

#### **NECESSITY**

Since we refer to this program often by name only ("Medi-Cal for Children") in the proposed regulations, it needs a clear definition here.

### **§10500 (g)**

#### **PROBLEM**

Many children are cared for by adults who have primary responsibility for their care but have not completed the necessary steps to become their legal adoptive parent(s) or guardian(s). These adults are nonetheless necessary care providers who are making decisions on behalf of the child as a parent would. Currently, there is no regulatory definition of primary care provider and other non-regulatory definitions used by other agencies apply only to the narrow contexts relevant there.

#### **BENEFIT**

This definition encompasses many of the relationships that a significant portion of eligible children have with adults who are not their parents or guardians but who nonetheless care for them as parents or guardians would. This includes many immigrant, tribal, and other communities who have a custom of taking in children when their parents cannot care for them.

#### **PURPOSE**

Defining this term will help the general public, as well as individuals who are serving the role of parents to potential eligible enrollees (as described in the definition), to understand that the perimeters for program qualification are broader than a traditional child/parent relationship and that they can work with HOPE to identify an eligible child and ensure they are enrolled as part of the program.

**NECESSITY**

The HOPE Act requires that we enroll children without regard to immigration status, as well as tribal children, and others who otherwise qualify by statute but may not be being cared for by surviving legal parents.

**§10500 (h)**

**PROBLEM**

WIC 18997.51 (e) requires that we make money available for withdrawal to eligible youth but does not prescribe how this is to be done.

**BENEFIT**

The types of accounts included ensure that the HOPE program will not inadvertently exclude withdrawal by eligible youth who may not have certain types of accounts due to immigration status or other barriers.

**PURPOSE**

This definition, working along with §5000 below, provides a way to disburse the money in a HOPE Account into an account that is 100% under the control of the eligible youth.

**NECESSITY**

Members of the HOPE Advisory Workgroup, who are experts in youth financial access, as well as current and former foster youth, gave compelling evidence that disbursement must go into accounts that are under the complete control of the eligible youth and that are safe and federal regulated with consumer financial protections and low fees. The accounts described here meet all of said criteria.

**§10500 (i)**

**PROBLEM**

WIC 18997.51 (d)(1) requires an eligible child to meet household income criteria and this criteria is referred to often in the remainder of the proposed regulations. Referring to the entire formulation each time is wordy and can cause confusion.

### **BENEFIT**

This formulation allows household income criteria to be assessed in the calendar year that the decedent passed away in or in the calendar year prior, both of which meet the criteria set forth in WIC 18997.51 (d)(1) as “prior to” the death.

### **PURPOSE**

We provide a short-hand way to refer to the income qualifications so that when it is referenced elsewhere in the regulations, the reader can refer back to this definition.

### **NECESSITY**

Household income must be considered during a reasonable period of time prior to the decedent’s death, not simply any time prior to. This regulation provides a clear and relevant time period for which to do that.

### **§10500 (j)**

### **PROBLEM**

The language of the HOPE program requires that eligible youth be under 18 years old when they qualify for an account. However, many youths will no longer be under 18 when the program is expected to launch in 2025. Specifically, some long-term foster youth who were under age 18 after the HOPE Act took effect in September 2022 will have turned 18 by the time the program launches. Similarly, the HOPE Act incorporates youth who lost a parent to COVID or long-COVID after March 2020, when the federal public health emergency was announced, who also meet the income requirements. Some of those youth will be over age 18 by the time the HOPE program launches.

### **BENEFIT**

This definition allows youth who will be over 18 when the program launches, but otherwise meet statutory requirements, to act on their own behalf as nonminors and therefore enables them to sign legal attestations or make other representations as legally recognized adults.

### **PURPOSE**

This regulation clarifies that youth who qualify for HOPE accounts because they meet the statutory requirements but who are currently over age 18 or will be over age 18 when the program launches, will still qualify to receive accounts.

### **NECESSITY**

The HOPE Act requires that we maximize the number of eligible youths, this definition allows us to enroll those who were minors when they met eligibility criteria but are no longer minors.

## **§10500 (k)**

### **PROBLEM**

WIC Section 18997.51 (d) requires eligible children to be residents of California but does not define the term. In addition, WIC Section 18997.54 (c) requires that eligibility may not hinge on the whether the eligible child has a social security numbers or individual tax identification numbers.

### **BENEFIT**

This definition provides an existing way to establish residency via adjudication as a person described by WIC Sections 300, 601 or 602, as well as via tribal authorities referred to in the HOPE Act. Others can still show residency using a minimum of easy to attain documents.

### **PURPOSE**

This regulation provides a clear and workable way to define residency without regard to social security or individual tax identification numbers which are often used as a proxy for immigration status.

### **NECESSITY**

The method of establishing residency must be clear, efficient, and consistent and must provide guidance that does not require the program to have to refer to the many and sometimes changing methods used by a variety of California government agencies.

## **§ 10501 ELIGIBILITY**

(a) Eligibility for HOPE trust accounts under WIC section 18997.51 (d)(1), Covid-bereaved, will be determined by establishing all of the following factors:

(1). Covid-19 related death of parent, Indian custodian, or legal guardian: The parent, Indian custodian, or legal guardian must have died on or after March 1, 2020, the beginning of the national emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak, 85 Fed. Reg. 53, 15337 (March 18, 2020) as shown by

(a). A death certificate that states the date of death and that the cause or underlying cause of death was COVID-1, long-COVID, or a consequence of COVID-19 or long-COVID; or

(b) A signed statement under penalty of perjury of a qualified nonminor, a minor's living parent, Indian custodian, legal guardian, or primary

caregiver that states the date of death and that the cause or underlying cause of death was COVID-1, long-COVID, or a consequence of COVID-19 or long-COVID, along with documentation that the person was diagnosed or was in the process of being diagnosed with COVID-19 or long-COVID.

(2). The child's or youth's age, residency in California, and relationship with the decedent at the time decedent's death: The child or youth to be enrolled must have been under 18 years old and a resident of California when the decedent died, and the decedent must have been their parent, Indian custodian, or legal guardian. These facts may be determined by reference to any combination of

(a). U.S. or foreign government documents pertaining to the child or youth, or their parent, Indian custodian, or legal guardians, such as birth certificates, medical records, passports, voter registration, vehicle registration, drivers' licenses, or school records:

(b) records that demonstrate the child or youth's residency in California as defined herein; or,

(c) a statement affirming the information provided under section 2000 (a)(1)(2) is true and accurate and to be signed by a qualified nonminor, parent, Indian custodian, legal guardian, or primary caregiver under penalty of perjury.

(3). Qualifying family household income: This may be determined by reference to

(a) enrollment of a child in the household in Medi-Cal for Children,  
(b) family household state or federal income tax records,  
(c) enrollment in a local, state, or federal program that had the same or lower income qualification as that required by Medi-Cal for Children in that same year,

(d) information obtained through the Income and Eligibility Verification System (IEVS),

(e) verification of income by a local, state, or federal government agency the family household income was equal to or less than that required for Medi-Cal for Children eligibility, or

(f) upon the inability to determine these facts through (a)-(e) in this section, a signed statement under penalty of perjury of the minor's parent, legal guardian, or primary caregiver or by the qualified nonminor that the family household income was equal to or less than that required by Medi-Cal for Children in the year prior to the decedent's death.

### **PROBLEM**

WIC Section 18997.51 provides the requirements for eligibility and Section 18997.54 assigns responsibility for determining who is included as an "eligible

child” and “eligible youth” under this chapter, including the ability to include individuals without social security numbers or individual tax identification numbers, the responsible agency for determining eligibility. The statute does not, however, provide the methods for determining eligibility.

Additionally, the statute provides two categories of eligibility: first, as a California resident under 18 from a low-income household who has lost a parent, guardian, or Indian custodian to COVID or long COVID related illness (COVID-bereaved) who in addition is also income eligible as described in § 2000 (a)(3) , and secondly, as a California resident who has been subject to a foster care order under WIC sections 30, 601, or 602 for 18 months or longer (foster), where income eligibility is not a factor. Establishing the first form of eligibility requires a multi-part analysis including the death of a parent, guardian, or Indian custodian as a consequence of COVID or long COVID, residency and age at the child when that person died, and the income of the household prior to that person’s death.

Finally, the HOPE Advisory Workgroup, created by statute at WIC section 18997.52(e), determined it is necessary to eliminate or reduce as much as possible any burden on the eligible child or their surviving parents or primary caregivers to secure and produce documentation that can establish eligibility that can be expensive or difficult to get. This decision is discussed in the report submitted to the legislature on February 1, 2024, entitled “Assets, Access, and Autonomy: The California Hope, Opportunity, Perseverance, And Empowerment (Hope) For Children Trust Account Program’s 2024 Report to the Department of Finance and Legislature.” Available at <https://www.treasurer.ca.gov/hope/documents/summary.pdf>.

## **§ 10501 (a)(1) and (2)**

### **BENEFIT**

These regulations provide a list of materials that are commonly, cheaply, and easily available to HOPE administrators via interagency partners and to eligible youth, their parent, guardian, or primary caregivers, and qualified nonminors.

### **PURPOSE**

These regulations direct HOPE administrators to a list of documents to reference that will help establish whether a potentially eligible child meets the first two elements of eligibility as a COVID-bereaved child from a low income household: that a parent, Indian custodian, or legal guardian have passed away from COVID or Long COVID related illness [Per § 10501\_(a)(1)] and that the youth was a minor under 18 and a resident of California at the time of that person’s death [Per § 10501\_(a)(2)].

### **NECESSITY**

These regulations meet program administrators' need for easy-to-secure and reliable materials they can use to determine that eligibility criteria are met while reducing the burden to produce documents on the eligible child or family as much as possible.

Also, per WIC section 18997.54(c)(1), HOPE is required to include children who do not have social security or individual tax identification numbers. HOPE must provide an alternative method for establishing these aspects of eligibility for their surviving parent, Indian custodian, legal guardian, or primary caregiver, and anyone else who may not have the other documents listed,

### **§ 10501 (a)(3)**

#### **BENEFIT**

These methods for determining household income prior to the time of the decedent's death are relatively easy for HOPE program administrators to employ via access to government records and help reduce the burden on the eligible child or family member to produce documents that can be hard or expensive to secure.

#### **PURPOSE**

This regulation provides ways to determine the third prong of eligibility under this section, as it pertains to COVID-bereaved children that the "minor's family household income, considering the income prior to the death of the parent, is at or below the income that would make the child eligible for Medi-Cal benefits under Chapter 7 (commencing with Section 14000) of Part 3." WIC §18997.51(d)(1).

#### **NECESSITY**

The methods for determining the income portion of eligibility must be ones that program administrators, eligible children, their family members, and the public can independently check such as by referring to government documents.

Per WIC section 18997.54(c)(1), HOPE is required to include children who do not have social security or individual tax identification numbers. HOPE must provide an alternative method for establishing this aspect of eligibility for their surviving parent, Indian custodian, legal guardian, or primary caregiver, and anyone else who may not have the other documents listed,

### **§ 10501 (b) ELIGIBILITY FOR FORSTER YOUTH**

b) Eligibility for HOPE trust accounts and annual deposits under WIC section 18997.51 (d)(2), foster eligibility, will be determined by the California Department of Social Services.

(1) The requirement that an eligible child under this section must reach at least 18 months in care may be met by adding up time in care and need not be consecutive.

(2) Program enrollees who become dependents or wards of the court under Section 300 or Section 601 or 602, after being reunified with their parents, adopted, or placed in legal guardianship, shall not be required to reach an additional 18 months in care to be eligible for additional deposits to their HOPE trust account.

### **PROBLEM**

WIC 18997.51 (d)(2) requires determination of eligibility based on data that only the California Department of Social Services ("CDSS") can legally access but does not assign CDSS responsibility for making such determinations. Additionally, The HOPE Act does not define whether the 18 months of foster care must be consecutive or cumulative, this proposed definition answers that question. WIC Section 18997.51 (d)(2)(B) states that program enrollees shall no longer be eligible for annual contributions effective 12 months following the date of reunification, adoption, or legal guardianship, or until the child reaches 18 years of age, whichever is sooner. However, it is not uncommon for a child to return to the foster or dependency system after they have been reunified, adopted, or placed into legal guardianship, this regulation clarifies that the 18-month threshold only needs to be met once.

### **BENEFIT**

CDSS has all of the necessary records to determine eligibility and thus places responsibility for this task with the agency that can most efficiently determine eligibility.

This standard allows the HOPE program to maximize the number of youths who may be eligible, in keeping with the intent of the Act as reflected in WIC Section 18997.54 (c) (6). This formulation allows program enrollees who have already met initial eligibility criteria once before and have no control over whether they are forced to re-enter foster or dependency status to resume receiving deposits as soon as possible, rather than missing out on an additional 18 months of deposits by recommencing the waiting period.

### **PURPOSE**

These regulations make clear that the CDSS will determine eligibility for youth under this category of eligibility. They provide clear directions for the CDSS and others who are familiar with the foster youth and dependency programs in California to use to determine and verify eligibility. They also maximize participation and autonomous wealth-building capacity, which are legislative goals described in WIC Section 18997.55.

## **NECESSITY**

Without this division of labor, the HOPE program will need to determine eligibility based on information that CDSS has but cannot share because of statutory confidentiality for foster and dependent children. Unfortunately, children in the foster and dependency systems often go "in and out" of the system as circumstances require. This proposed regulation answers the question of whether the 18 months in care described in the Act can be met cumulatively or only consecutively. Requiring consecutive accrual would minimize the number of children eligible for the program, and this conflicts with the intent of the Act to maximize eligibility.

These regulations are needed to give HOPE program administrators and CDSS clear guidance for when to resume annual deposits for program enrollees whose annual deposits were previously stopped 12 months after reunification, adoption, or legal guardianship and have since become dependents or wards under WIC Section 300 or Section 601 or 602.

## **§ 10501 (c)**

### **PROBLEM**

WIC 18997.54 (c) required the workgroup to determine eligibility for withdrawal of funds.

### **BENEFIT**

These regulations provide a list of materials that are commonly and easily available to HOPE administrators via interagency partners and to eligible youth, their parents, guardians, or primary caregivers, and qualified nonminors.

### **PURPOSE**

This regulation provides HOPE program administrators with guidance for the types of materials and documents to reference in determining that a program enrollee has reached their 18th birthday.

## **NECESSITY**

This regulation meets program administrators' need for easy-to-secure and reliable materials they can use to determine that the relevant eligibility criteria are met.

## **§ 10502 (a), (b), and (c)**

### **PROBLEM**

The HOPE Act does not prescribe how the HOPE program shall identify and verify all of the information needed to enroll all eligible children and COVID-bereaved children in particular. There are no government agencies that have already

identified children who meet the eligibility criteria set out by WIC Section 18997.51 (d)(1). Regulations are needed to guide HOPE program administrators on how to do this.

### **BENEFIT**

This regulation directs HOPE administrators to seek and rely on information relevant to verification of eligibility from state and local government agencies first and to seek information from a potentially eligible child, a qualified nonminor, their living parent, Indian custodian, legal guardian, or primary caregiver when they are only other source of that information. It also describes the sources of information that can help identify a potentially eligible child under WIC Section 18997.51 (d)(1) that can be verified by reference to the types of documents listed in Section 2000 of these regulations.

### **PURPOSE**

These regulations instruct HOPE program administrators that they "bear the duty of identifying participants who are eligible for enrollment using interagency agreements, community partnerships, and other means of verifying eligibility," in order to "avoid burdening eligible children and any surviving parents with limited resources with difficult procedural requirements such as requiring expensive and difficult-to-attain documents that would then need to be copied and mailed or scanned and uploaded," as described in the HOPE report and implementation plan that was submitted to the State Legislature on February 1, 2024 in fulfillment of the obligations assigned to the workgroup by WIC Section 18997.54 (c) (assigning the workgroup the responsibility to determine any additional implementation needs as identified by the group).

### **NECESSITY**

These regulations are needed to direct HOPE administrators as to how to meet the requirement set out in WIC Section 18997.55, which directs the HOPE program to maximize participation among eligible children. These regulations avoid burdening the children and their families with the need to produce the necessary information and would thereby likely reduce program participation.

### **§ 10502 (d)**

### **PROBLEM**

The HOPE Act does not provide a way for those denied enrollment to appeal that determination.

### **BENEFIT**

The appeals process described in this regulation is simple to follow and provides a timely response as required by due process considerations.

## **PURPOSE**

This regulation describes how to appeal the denial of enrollment.

## **NECESSITY**

Due process requires that potentially eligible participants have a way to appeal denial of enrollment.

## **§ 10503**

### **PROBLEM**

Even though WIC Section 18997.53(c) requires that "moneys 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" and WIC Section 18997.52 gives the board the authority to accept "any grants, gifts, legislative appropriation, and other moneys from the state, any unit of federal, state, or local government, or any other person, firm, partnership, philanthropic entity, or corporation for deposit to the HOPE Trust Account Fund," there are no prescriptions for how deposits to HOPE Accounts should be determined.

### **BENEFIT**

These regulations provide a succinct list of the factors to be considered in determining the amount of annual deposits from the HOPE Fund to HOPE Accounts in a manner that ensures that the program will meet the requirements in WIC Sections 18997.5 (c) (to create "opportunities, economic autonomy, and hope, and to promote intergenerational wealth and asset building for an eligible child and eligible youth,"), 18997.53(c) ("Moneys 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,"), and 18997.55(a) (to maximize participation by eligible children and youth and their autonomous wealth-building capacity).

### **PURPOSE**

These regulations instruct the HOPE executive director how to determine the structure and amounts of deposits from the HOPE Fund and any other sources to HOPE Accounts.

### **NECESSITY**

Requiring the HOPE executive director and the board to agree on the deposit structure ensures all due consideration to maximize the legislative goals of the program while managing the fiduciary responsibilities of the Board.

## **§ 10504**

### **PROBLEM**

The HOPE program needs a way to disburse funds to program enrollees when they can withdraw funds. Currently, no existing regulation or statute describes how and when this should be accomplished.

### **BENEFIT**

This proposed regulation directs HOPE to make disbursements only via financial instruments that are wholly managed by the program enrollee, thereby ensuring that program enrollees will be in exclusively control of the funds once transferred to them.

This window of time allows program enrollees to access funds in their HOPE Accounts as soon as they need them after turning 18 years old or to opt to wait to withdraw for 8 more years. It also ensures that the HOPE program will not be required to hold onto funds in HOPE Accounts in perpetuity.

### **PURPOSE**

This proposed regulation describes the conditions necessary for HOPE to disburse funds in a way that maximizes program enrollees' economic autonomy, making sure that no one else will have access and can divert the funds from their intended recipient. It codifies the HOPE Advisory Workgroup's determination, made under the authority of WIC Section 18997.54 (c) (assigning the workgroup the responsibility to determine any additional implementation needs as identified by the group), and described in the HOPE report and implementation plan submitted to the legislature, that program enrollees should be able to withdraw funds from their HOPE Accounts at any time between their 18th birthday to when they are 26 years old, which means prior to their 27th birthday.

### **NECESSITY**

Unfortunately, foster youth, who make up the majority of the program enrollees of the HOPE program, have high risks of financial identity theft perpetrated by the adults around them. This regulation provides a way for HOPE to protect against others taking control of funds intended for the program enrollee only. Members of the HOPE Advisory Subgroup who have experience distributing money to community members through scholarships, cash assistance, and similar programs have advised HOPE to ensure that the program managers are able to securely transfer funds without costs to financial accounts and in instruments that will be wholly owned and controlled by the program participant, for example into bank accounts solely owned by the intended recipient or via cashier's checks made out in their name.

There are no duplications or comparable federal regulations. The HOPE program must be able to plan investments and deposit schedules to ensure that program enrollees are able withdraw the maximum amount of funds available and that funds that go unclaimed may be used deposited in other HOPE Accounts as needed.

### **§ 10505 (a) through (c)**

#### **PROBLEM**

The goals of the HOPE Act and the HOPE program will not be achieved if program enrollees are not aware of their eligibility and the overarching points of the program, such as that they have accounts available to them, how to access financial education services that can help maximize their economic autonomy and wealth-building capacity, how much money will be available to them, and when.

#### **BENEFIT**

These regulations instruct HOPE to notify program enrollees and the adults who are most likely able to effectively support their utilization of HOPE program features because they have parental, guardian, or comparable duties assigned by relevant child welfare and social services authorities. They also provide a way to ensure that HOPE administrators know that the program enrollees and their caretakers have received such notice.

#### **PURPOSE**

These regulations instruct how HOPE will initially and annually notify program enrollees and the adults who are responsible for their care of the existence and benefits of their HOPE accounts, the amount of money that is actually and expected to be deposited into the account, and ability to access financial education services.

#### **NECESSITY**

HOPE administrators must have a way to inform program enrollees, and if they are too young or otherwise unable to understand, their parents, legal guardians, Indian custodians, primary caregivers, and the case workers or tribal child welfare representatives that are assigned to ensure their well-being, of the benefits of the HOPE program.

### **§ 10506 (a)**

#### **PROBLEM**

There are an estimated 10,000 children who are currently eligible under WIC Section 18997.51(d)(1) and unfortunately more will become eligible as low-

income parents continue to die of COVID, long COVID, or consequences of both. Unlike children who are eligible under WIC Section 18997.51(d)(2), no government agency maintains data identifying these children are or how to locate them. Partnerships with agencies like the Department of Public Health will help us identify some but not all COVID-bereaved eligible children. In addition, it is also possible that, even with partnerships with CDSS and other agencies, we may miss some children who qualify under WIC Section 18997.51(d)(2), for example, those who have moved and are no longer in touch with their assigned case workers or whom CDSS doesn't have a current address or method of contacting them.

### **BENEFIT**

An online portal is fairly easy to create, maintain, and update as needed and provides an efficient and centralized method of data collection.

### **PURPOSE**

This regulation requires HOPE to create and maintain a portal so that potentially eligible children, their parents, other adult caregivers, or others are able to provide information that HOPE can use to verify eligibility and enroll eligible children, thereby maximizing participation in the program.

### **NECESSITY**

The HOPE program needs a place to direct people who are in touch with children who may qualify so that they can provide information directly to HOPE for additional verification.

### **§ 10506 (b)**

### **PROBLEM**

Although HOPE will provide annual notices, these alone will not be enough to engage program enrollees and the adults responsible for their care in the program year-round.

We expect that a substantial number of program enrollees will be too young or otherwise dependent on the adults responsible for their well-being, including those listed here, to learn about the HOPE program and take advantage of the program features.

Once they turn 18, program enrollees are legally adults deserving of privacy in their financial affairs. Many advisory workgroup members advised that the HOPE program should take every reasonable effort to ensure that eligible youth - those who are 18 and over and therefore able to take withdrawals from the HOPE Account- can make autonomous decisions about when to access their funds and how they will use it. We have been advised that, unfortunately, youth in the foster system experience a high rate of identity theft and financial fraud. HOPE

must take precautions to protect eligible youth's financial autonomy and privacy.

### **BENEFIT**

Creating a dashboard will allow program enrollees and the adults responsible for their care to learn about and see updated account information, financial education opportunities, and other program features at their convenience and as often as they like.

We expect that many program enrollees will have trusting relationships with their adult caretakers and that those caretakers have the best interest of the child in their care at heart. Engaging these adults in the program will support program enrollees' participation and success with the HOPE program. This will ensure that eligible youth will have privacy by default upon turning 18 years old.

### **PURPOSE**

Creating an online dashboard that is accessible by web and app is intended to maximize program participation. Providing access to the dashboard to both the program enrollee and their caretakers will increase the likelihood that the program enrollee will be aware and take advantage of the HOPE program and its benefits.

This regulation will ensure that only the eligible youth will have access to their dashboard upon turning 18 while giving them the option to provide access to a trusted person.

### **NECESSITY**

Today, most people tend to rely on online methods to obtain important information and are more likely to ignore mailed notices. HOPE needs a central online platform where all program enrollees and the adults responsible for their wellbeing can access up to date information that will maximize their success with the program.

HOPE needs a way to update program enrollees about their accounts and other program opportunities even when they may not be able to use or understand the dashboard due to age or other factors out of their control. The HOPE program must protect the privacy of eligible youth to protect their economic autonomy.

### **§ 10507 (a) and (b)**

### **PROBLEM**

The HOPE Act does not prescribe how program administrators may collect data about program participation and impact or the measures that must be taken to protect the privacy of eligible children, program enrollees, and eligible youth.

## **BENEFIT**

These regulations will require that HOPE maintain the privacy of eligible children, program enrollees, and eligible youth while allowing the program to collect nonconfidential data necessary to assess program impact and needs for improvement.

## **PURPOSE**

These regulations create a way to balance HOPE data collection needs with the privacy rights of all children and youth engaged with the program.

## **NECESSITY**

HOPE must be able to collect data about program participation to assess how well the program is working and to identify areas of improvement. However, federal and state laws protect the privacy of minors, including their status as a foster child or ward of the state. The HOPE program must have regulations that direct program administrators and interagency partners to protect the privacy of all eligible children, program enrollees, and eligible youth.

## **§ 10508**

This section is reserved for future regulations relating to the management of the HOPE Fund. Currently, WIC 18997.53(b) provides sufficient guidance for management of the Fund. However, the HOPE program needs to develop its own Fund management and investment policies as allowed by WIC 18997.53(b) and will propose any necessary regulations at a later date through the Administrative Procedures Act process.

## **§ 10508 (a) through (d)**

### **PROBLEM**

The HOPE Act states that it is intended to help create "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." WIC Section 18997.5 (c). It assigned the advisory workgroup responsibility to develop "Additional areas determined as critical to the implementation of the program, as identified during the course of the workgroup." WIC Section 18997.54 (c)(8). The Advisory Workgroup determined that it is necessary to offer financial education and money management training services to program enrollees to ensure that they have support in deciding how to use the HOPE funds to meet their unique financial needs and opportunities. These proposed regulations guide how HOPE will accomplish this goal which is not previously defined in the statute.

## **BENEFIT**

There are very few financial education and money management training services available to youth under age 13. HOPE's advisory workgroup and board have decided that the program will not offer these services to those over age 30 because program enrollees must have taken their funds before turning. The financial education service providers must have a positive social or public mission which is in line with the goals of the HOPE program.

## **PURPOSE**

This set of regulations makes evident the age range of those to whom HOPE will offer financial education and money management training, provides a nonexclusive list of potential providers that have a comparable public or social mission, and defines the criteria that HOPE will use to determine whether to partner with a service provider.

The criteria detailed allows HOPE to partner with service providers who can demonstrate the impact that the HOPE program wants to make aligned with the statutory intent to create *"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"* for the youth in the program, many of which are undocumented, indigenous, from low-income and immigrant families, impacted by the judicial system, parents of young children, multi- and non-English speaking, youth with disabilities, major mental and other health issues, victims of and vulnerable to identity theft, homeless, children of essential workers and other highly COVID impacted families, and many others who live at the intersection of multiple and systemic socially and economically marginalizing forces. The list of evaluation criteria will ensure that the partners selected will be reviewed on a reasonable and achievable schedule to ensure that they continue to be able to offer high quality services, track impact, provide coverage across California's many geographic and demographic communities, and for the long-term.

## **NECESSITY**

HOPE must partner with financial education and money management training service providers to offer these services. Having a specific age range narrows the pool of providers while limiting partnerships to organizations with comparable social or public interest missions is necessary to ensure that HOPE achieve its goals of maximizing economic autonomy and helping to close the racial wealth gap.

This criteria is necessary to vet potential partners who have the sought after skill set. Without these criteria, HOPE may develop or maintain partnerships with providers who cannot meet the quality standards sought, fail to track impact (or

the impact measures dip below satisfaction), are unable to continue to provide services or otherwise are unable to show that they are providing the quality that HOPE enrollees deserve and need to achieve the legislative intent of the program.

### **III. STUDIES, REPORTS, OR DOCUMENTS RELIED UPON**

We have relied on the document submitted by the HOPE Board of Directors required by WIC Section 18997.55, submitted on February 1, 2024, entitled “Assets, Access, and Autonomy: The California Hope, Opportunity, Perseverance, And Empowerment (Hope) For Children Trust Account Program’s 2024 Report to the Department of Finance and Legislature.” Available at <https://www.treasurer.ca.gov/hope/documents/summary.pdf>.

For guidance regarding COVID-19 variants, long-COVID, and the consequences of those illnesses, we have relied on information produced by the California Department of Public Health (available at <https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/COVID-Variants.aspx>) and a report published the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, National Vital Statistics System federal Center for Disease Control entitled “Vital Statistics Reporting Guidance Report No. 3, Released April 2020 – Expanded February 2023 Guidance for Certifying Deaths Due to Coronavirus Disease 2019 (COVID-19) Expanded in February 2023 to Include Guidance for Certifying Deaths Due to Post-acute Sequelae of COVID-19.” Available at <https://www.cdc.gov/nchs/data/nvss/vsrg/vsrg03-508.pdf>

For guidance on financial education and money management training services, we have relied on information available via the California Department of Education entitled “Grades K–12 Financial Literacy Resources: Resources for individuals interested in financial literacy for kindergarten through grade twelve students” (available at <https://www.cde.ca.gov/pd/ca/hs/finlitk12.asp>), the National Financial Educators Council “Financial Literacy Standards & Framework for Student Learning Outcomes & Financial Educators” (available at <https://www.financialeducatorsCouncil.org/financial-literacy-standards/#download>), and guidance obtained through discussions of the HOPE Board of Directors committee on Financial Education, which includes leading experts on financial education programs for youth.

### **IV. REASONABLE ALTERNATIVES TO THE REGULATIONS AND THE AGENCY REASONS FOR REJECTING THOSE ALTERNATIVES**

Since the HOPE Act is very new, only having been effectuated in 2022, there is no existing authority other than the promulgated statutes for the program. Due to the nature of the program the legislature directed that regulations be

effectuated in WIC Section 18997.52 (h) to aid in carrying forth the specificities of the program. Without regulations the statute is overly vague to detail the necessary criteria and processes needed to carry forth the program goals without inherently creating underground regulations.

In drafting the regulations other considerations that were reviewed involved setting terms for account withdrawals prior to youths reaching the age of 18. The HOPE Advisory Working Group created by WIC Section 18997.52 discussed making youth eligible for HOPE Account withdrawals at 17 pending exigent circumstances like needing to pay for higher education expenses which many youths incur prior to reaching 18 years of age. However, discussions within the Board of Directors committees guided against that decision since it would be administratively cumbersome to enforce which exigent circumstances would qualify.

In addition, many financial institutions do not offer noncustodial deposit accounts for minors, meaning youth under 18 are required to have an adult co-owner of account with the right to withdraw funds. Given the statutory requirement that the HOPE program maximize economic autonomy (WIC Section 18997.62 (e)) coupled with the high risk of HOPE funds being used by someone other than the program enrollee, we decided it was best to limit eligibility for withdrawal to youth over 18 when they can open a deposit account as sole owners.

We also considered allowing disbursement to additional types of financial instruments like Venmo, PayPal, and similar personal spending systems. Unfortunately, these are not regulated for critical important consumer protections, such as theft or loss of funds. We decided to limit disbursement only to account types that are protected under Regulation E, also known as the Electronic Funds Transfer Act (EFTA), is a federal law that protects consumers from fraudulent or incorrect electronic fund transfers (EFTs) to and from their bank accounts.

## **V. DETERMINATION OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS**

We have not identified any adverse impacts on business nor have any adverse impacts been identified and brought to our attention. The only businesses in the State of California expected to be directly impacted by the HOPE program are the vendors that have been and will be contracted for the administration of the program. These include vendors in financial services, communications, program development, and program administration.

HOPE has contracted two vendors thus far with whom we are in contact nearly daily, one of which developed the proposed regulations. Neither have communicated potential adverse impact to their business caused by the proposed regulations.

As discussed below, the proposed regulations do not require any California businesses to take or stop performing any actions beyond normal market opportunities.

## **VI. ECONOMIC IMPACT ASSESSMENT**

### **CREATION OR ELIMINATION OF JOBS WITHIN THE STATE**

These proposed regulations do not require the creation or elimination of jobs.

All of the duties described in the proposed regulations can be accomplished within the existing staffing plans created by the California Office of the State Treasurer (STO) and the HOPE Board of Directors after the passage of The Hope Act, which created the HOPE Fund and HOPE for Children Trust Account Program (HOPE program) effective September 27, 2022. Since then, STO has created four staff positions to launch and help support administration of the program, including the Executive Director and three program positions. The HOPE Board of Directors has delivered a report to the legislature describing the implementation plan developed by requirement of the HOPE Act, which includes a plan to contract necessary consultants, including a program administrator and investment manager, and to partner with existing financial education service providers.

It is possible that existing businesses, including financial education service providers, investment consultants and managers, program managers and other planned for contractors may expand operations and increase jobs in order to work with the HOPE program or maintain positions previously planned for elimination. These decisions are not required by the regulations but by existing market conditions.

### **CREATION OR ELIMINATION OF BUSINESS WITHIN THE STATE**

The proposed regulations do not require the creation or elimination of businesses in California.

As stated above, the duties described in the proposed regulations will be accomplished via partnership with existing service providers.

### **EXPANSION OF BUSINESSES CURRENTLY DOING BUSINESS WITHIN THE STATE**

The proposed regulations do not require the expansion of businesses currently doing business with the state. Businesses that are already doing business with the state may expand operations or maintain positions previously planned for elimination in order to work with the HOPE program, however, these decisions are not required by the regulations but by existing market conditions facing current state contractors.

### **THE BENEFITS OF THE REGULATIONS TO THE HEALTH AND WELFARE OF CALIFORNIA RESIDENTS, WORKER SAFETY, AND THE STATE'S ENVIRONMENT**

The proposed regulations do not impose requirements or prohibitions on California residents, the state's workforce, or on current environmental regulations. In the absence of such requirements or prohibitions, the HOPE Board of Directors does not believe that the adoption of these regulations will provide benefits or adverse impacts to these areas.

### **VII. DESCRIPTION OF EFFORTS TO AVOID CONFLICT WITH AND DUPLICATION OF FEDERAL REGULATIONS**

The HOPE Board of Directors has not found any conflict with or duplication of federal laws or regulations.