



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

Resolution to Approve Distribution Amount

Resolution No. 2025-02

June 16, 2025

Staff Report for Agenda Item # 3

Purpose of the Request:

Staff seeks Board approval for a resolution to adopt a distribution amount for eligible enrollees turning 18 in the upcoming calendar year, 2026. HOPE staff recommends the following options:

- a) If there are no cuts to the programs original budget appropriation of \$100 million- staff recommends \$3500.
- b) If there is the one-time \$40 to \$50 million cut as referenced in the May Revise, staff recommends \$3,000 per eligible enrollee.
- c) Another amount agreed upon by the Board after discussion at this Board meeting.

This recommendation holds firm to the Program's intent to provide meaningful, transformative support to youth aging out of foster care, and those bereaved by COVID-19 while considering the current budget landscape for the state.

Background:

Established through Assembly Bill 156 (Chapter 569, Statutes of 2022), the HOPE for Children Trust Account Program was created to confront the racial wealth gap and intergenerational poverty by providing eligible youth with a one-time financial investment available to them at age 18. The program serves long-term foster youth and COVID-bereaved children from low-income households. A diverse Advisory Workgroup, including over 40 stakeholders

and youth with lived experience, helped shape the Report to the Legislature, delivered February 1, 2024, that outlined the urgency, design, and long-term benefit of the HOPE Program.

Justification of Distribution Amount:

The HOPE Board initially identified \$4,500 as a meaningful disbursement amount, based on direct input from youth stakeholders and extensive research and cost of living in California. Due to the State’s May Revision and a one-time \$40,000,000 to 50,000,000 transfer in funding to the State General Fund from the HOPE Fund, a revised amount per eligible enrollee is proposed to strike the balance of both fiscal responsibility and substantial impact.

While HOPE understands the urgent need to bolster the State’s general fund, HOPE staff is reminded when speaking to the Foster Youth Focus Group that this is not a luxury—but is seen as a potential lifeline to independence for those who need it the most. The HOPE Legislative Report cites that 70.4% of youth in foster care live below the poverty line. Nearly 25% experience homelessness within two years of exiting care. More than 35% do not complete high school. Without family support or reliable income, these youth are at extreme risk of incarceration, chronic homelessness, and mental health crises. A small one-time investment can make the difference between stability and lifelong hardship.

It is essential to acknowledge the real, recurring costs that youth face upon aging out of foster care. According to recent program data:

- The average Californian spends \$360–\$445 per month on groceries, but CalFresh assistance often caps out at \$299. ¹
- Public transportation averages between \$50–\$200 per month. ¹
- Utility costs average \$200 for electricity and \$141 for water and sewer—totaling over \$340 monthly. ¹
- Rent in California averages \$2,395/month, a near-impossible figure for young adults with no financial base. ¹
- Basic connectivity: Wi-Fi averages \$60–\$70/month and phone plans \$70–\$100/month. ¹
- Self-care costs (toiletries, grooming items, etc.) add another \$72/month. ¹

In total, the average cost of covering one month of essential needs hovers between approximately \$3,000- \$4,000. This figure reinforces why anything

less than \$2,500 is insufficient for the Program's intended purpose of wealth building. The proposed disbursement is not an arbitrary amount.¹

¹ <https://www.sofi.com/cost-of-living-in-california/#:~:text=Groceries%20%26%20Food&text=How%20much%20should%20you%20plan,%241%2C568%20per%20month%20on%20groceries>.
<https://www.zillow.com/rental-manager/market-trends/ca/>
<https://www.capitalone.com/cars/learn/getting-a-good-deal/used-cars-under-10000-for-college-students/2035>

During the May Revise budget hearing, the Senate Budget Committee noted that any disbursement amount too low—such as \$1,000 – \$2,000—would not be considered “meaningful” as detailed in the report. They advocated for a baseline that meets at least one month’s total potential living expenses.

Program Impact and Need:

The needs of foster youth aging out of care are urgent and well documented. These young people exit systems of dependency into adulthood with little to no financial cushion. A vast majority live in poverty and face compounding disadvantages. The HOPE Legislative Report revealed that without targeted financial support, many former foster youths will face immediate housing insecurity, job instability, and a lack of basic living essentials. For some, this financial intervention could mean avoiding shelter stays, jail, or unsafe living arrangements.

During the COVID-19 pandemic, child poverty more than doubled from 5.2% to 12.4% from 2021-2022, the largest one-time increase ever. The high cost of living in California is a huge barrier for 70.4% of foster youth as they leave the foster system. Children who are in foster care for over 18 months and are not receiving parental reunification services are least likely to be adopted. Statistically they are more likely to have 50% lower earnings and 20% lower employment rate by age 26 as compared to a sample of young adults with similar levels of education.

The distribution amount should recognize that dignity and opportunity require more than symbolism—they require real, flexible dollars in the hands of youth when they need it most.

HOPE Currently Retains Ongoing Funding Mechanism in Statute

HOPE staff has been working with the Treasurer’s Investment team and RVK Consultants to present data to the Board to show the program’s fiscal health with the different distribution amounts. This highlights the significance of the program having the ongoing funding. The timeframe will allow the program to lean into additional funding options such as working collaboratively with the Philanthropy subcommittee and apply for grants.

This time will give HOPE the opportunity to backfill the younger cohorts’ accounts with this funding. The initial launch will be the highest number of 18-year-olds, after that the numbers decrease annually.

HOPE with the Board’s approval was able to invest the monies received early into Surplus Money Investment Fund (SMIF) within the PMIA. This generated additional dollars. This option will be available moving forward to address

backfill concerns. This ability to reinvest idle funds again on the board's behalf is another tool in our toolbox to smartly invest on behalf of the youth.

The State Treasurer's Office (STO) Investments Division Statement:

"The State Treasurer's Office (STO) Investments Division has reviewed the materials prepared for the HOPE Governing Board's consideration and affirms that the information presented aligns with our ongoing discussions and understanding of market conditions. While forecasting future interest rate movements over the next year or longer remains inherently uncertain, the Investments Division is comfortable with the data and assumptions included in the presentation developed in coordination with RVK and HOPE staff.

It is important to note that this review does not constitute a formal recommendation from the STO Investments Division. Rather, their role has been to provide input and perspective based on our expertise and collaborative engagement with program partners."

Staff Recommendation:

Staff recommends the Board approve Resolution 2025-02 to confirm the distribution amount for those eligible enrollees turning 18 in 2026. The options in front of the Board are:

The staff recommends the following options:

- a) If there are no cuts to the HOPE programs budget- staff recommends \$3500 per eligible enrollee;
- b) If there is the one time \$40-50 million cut as referenced in the May revise, staff recommends \$3000 per eligible enrollee;
- c) Another amount agreed upon by the Board after discussion at this Board meeting.

Lowering the amount below this threshold would undermine the core purpose of the Program—to provide meaningful, stabilizing support. This amount is based on evidence, guided by legislative input, and rooted in the lived experiences of foster youth themselves. Philanthropy, financial stewardship, and smart planning will help bridge funding gaps and ensure California leads with both compassion and strategy.

