

**CALIFORNIA HOPE. OPPORTUNITY, PERSEVERANCE, & EMPOWERMENT
HOPE) BOARD**

EXECUTIVE DIRECTOR'S REPORT

December 3, 2024

Program Update

Legislative Update

Senate Bill 242 (Skinner): HOPE for Children Trust Account Program Clean-Up Prior to Implementation

The HOPE Board submitted its Report to the Legislature February 1, 2024, which identified areas that required legislative codification prior to implementation of the HOPE Program. This collaborative effort included input from the comprehensive HOPE Working Group that was established in the original HOPE Act of 2022. SB 242 was signed by Governor Newsom and chaptered on 9/30/2024. Provisions that will take effect starting January 1, 2025, are:

- Exempts a one-time lump-sum payment made from a HOPE trust account from a money judgment without making a claim but does not exempt a one-time lump sum payment from a levy, in connection with child support, spousal support, family support, or a criminal restitution.
- Requires the State Treasurer to disclose to the Franchise Tax Board (FTB), through information-sharing agreements or data interfaces, authorized information for the sole purpose of determining eligibility under the HOPE for Children Trust Account Act.
- Requires FTB, after receipt of the authorized information to disclose to the State Treasurer, through information-sharing agreements or data interfaces, the amounts of the federal adjusted and modified gross income for the most recent and preceding taxable year, as reported by the taxpayer to FTB.
- Requires, commencing July 1, 2025, or on the date that the California Department of Social Services (CDSS) notifies the Legislature that the Statewide Automated Welfare System (CalSAWS) and the California Automated Response and Engagement System (CARES) can perform the necessary automation, whichever is later, any funds deposited, and investment returns accrued in a HOPE trust account to be exempt from consideration as income and resources.
- Requires, for purposes of determining an "eligible child," the State Treasurer to verify the cause of death of the parent, Indian custodian, or legal

guardian, as specified, and to verify the minor's family household income prior to the death of parent, Indian custodian, or legal guardian, as specified.

- Expands the HOPE Board from 9 to 11 members by adding two members between 18 to 26 years of age, as specified.
- Requires initial deposits and any future deposits into HOPE trust accounts for an eligible child be determined by the Board and allows these deposits to increase over time to address increased costs of living or research that suggests that the goals of the HOPE Program are better met with larger deposits.
- Permits, with the approval of the Board, the State Treasurer to accept contributions of funds to existing trust accounts and the creation of new trust accounts from any federal, state, local, or philanthropic source, as specified.
- Requires, notwithstanding any other law, and to the extent permitted by federal law, funds deposited, and investment returns accrued in a HOPE trust account to not be considered as income or assets when determining eligibility and benefit amount for any means-tested program, as specified.
- Requires the State Treasurer, in consultation with the Board, to design and disseminate information for parents, Indian custodians, and legal guardians of children and youth who are potentially eligible for the HOPE Program to facilitate their enrollment in the program and transfer of funds, as specified.
- Requires the State Treasurer, with the intent that all eligible children be automatically enrolled for a HOPE trust account to the extent possible, to collaborate with CDSS and other relevant agencies, to maximize participation in the HOPE Program, while protecting individual privacy, as specified.
- Requires, notwithstanding any other law, individual records or source data associated with the establishment of a HOPE trust account not to be subject to disclosure under the California Public Records Act.
- Authorizes a program enrollee to withdraw or transfer funds from their HOPE trust account on and after their 18th birthday and requires the State Treasurer to assist an eligible youth in transferring funds from their HOPE trust account to other specified accounts.
- Requires the State Treasurer to maintain a publicly available internet website where program enrollees and specified others may have passwordprotected online access to view information about the HOPE trust account's growth and value and allows eligible youth to be connected to banking services and financial coaching and financial literacy resources

made available through the Department of Financial Protection and Innovation.

- Requires the State Treasurer to annually submit an audited financial report on the operations of the HOPE Program by August 1 to the Governor, the Controller, the California State Auditor, and the Legislature, as specified.
- Requires, notwithstanding any other provision of the Controller's duties, the payments authorized pursuant to the HOPE Act to not be used to offset any delinquent accounts.

Related/Prior Legislation: AB 156 (Committee on Budget, Chapter 569, Statutes of 2022) among other things, establishes the HOPE Account Program, and incorporated language from SB 854 (Skinner, 2022). SB 854 (Skinner, 2022) would have established the HOPE Account program to provide eligible children, qualifying wards or dependents of the Juvenile Court and lower income children who have lost a parent or guardian to COVID-19, with state-funded trust fund accounts in an effort to address financial disparities and long-term economic outcomes. This bill was held in Senate Appropriations Committee. The policy of this bill was adopted in the budget through AB 156.

Potential Legislation for 2025/2026 Legislative Session: In line with the recommendation from the HOPE Report to the Legislature to help close gaps identified in COVID-bereaved youth outreach & enrollment, HOPE staff is working with the STO Legislative Unit to explore introducing legislation to add a checkbox 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 and next of kin.

Background: Current death certificates do not indicate whether minor children survive the deceased. Adding a checkbox would facilitate the identification of minor children who survive a decedent with COVID as a cause or underlying cause of death.

Next Steps: HOPE will continue to work with the pertinent state and local agencies and officials to explore this option. It is not a necessity to launch the Program on time, but it would streamline the COVID-bereaved identification by eliminating those who passed from COVID, but have no next of kin / minor children, from HOPE's data sets while allowing HOPE to have a more direct point of contact.

Operations Update

Contracts

- HOPE has a Request for Proposal as part of this Board meeting agenda, so details will be discussed during agenda item 5.

- HOPE is starting to explore a new contract for a Program Consultant. Staff are in beginning stages of identifying the need for this role, but envision the Program Consultant will:
 - Make recommendations on program design and structure. On an ongoing basis, the Contractor will provide informational updates and insight on the Child Trust Account/Baby Bond industry. The Contractor will provide the Board and the Board's staff strategic consulting advice for the Program.
 - As needed, the Contractor will help to review proposed and existing regulations, both emergency and regular, to ensure conformity and alignment with federal and state statutes pertaining to the Trust.
 - As needed, the Contractor will participate in the development of requests for proposals and the subsequent selection processes as a subject matter expert to procure various program services, such as an investment manager, a program administrator, and an investment consultant. The Contractor will provide drafts of the requests for proposals by a timeframe that is mutually agreed upon by both the Contractor and the Board and/or the Board's staff. The requests for proposals must comport with California state procurement laws.

- **Additional Scope of Work could include, but not limited to,**
 - The Contractor will provide an analysis of the program manager's performance, particularly in marketing and administrative areas using monthly, quarterly and annual data. The Contractor will also assist in the development of marketing and administrative benchmarks.
 - The Contractor will provide work product and materials that demonstrate cultural competence and designed in compliance with the Americans with Disabilities Act ("ADA"), Sections [7405](#) and [11135 of the Government Code](#), and [Web Content Accessibility Guidelines 2.1](#) including future updates ("WCAG") for people with disabilities, and "People First" language.
 - The Contractor will review Program disclosure language and keep abreast of regulatory issues on the Board's behalf.
 - The Contractor will work with the Board's contractors, such as the investment consultant and program manager, as needed. If qualified to do so and as needed, the Contractor may also participate in the development of the Board's Statement of Investment Policy (or

Investment Policy Statement), Monitoring Procedures and Investment Performance Criteria, and Administrative Performance Criteria by reviewing and advising the Board and its staff and collaborating with the Board's investment consultant and program manager towards a mutually agreed upon final work product.

- The Contractor will attend all Board meetings unless notified otherwise by the Board. It is anticipated that the Board will meet approximately once every quarter. The Contractor will attend other meetings pertaining to the 529A industry (Internal Revenue Service, Securities and Exchange Commission, other states, or others) with or on behalf of the Board as requested.
 - The Contractor will be available to consult with Board members and the Executive Director from 8:00 a.m. to 5:00 p.m. Pacific Time, Monday through Friday.
 - The Contractor will respond to the need for telephone consultation within a 24-hour period and be available for meetings with the Board with no greater than 10 days' notice.
- **Potential Cost: \$141k for first FY**, to compensate for time sensitive, initial needs of Program; then,
 - A lesser amount moving forward for standard consulting projects and recommendations: **\$67,000 over the 12 months** is what HOPE staff has identified for successful ROI based on similar programs.

Outreach Update

Presentation (See Attachments: Exhibit A & B)

HOPE Staff are working in collaboration with agency and community partners, and in coordination with the HOPE Outreach & Enrollment Subcommittee, to

identify a strategy to prioritize outreach and enrollment based on a regional and age-based approach.