

Date of Hearing: June 11, 2024

ASSEMBLY COMMITTEE ON HUMAN SERVICES

Alex Lee, Chair

SB 242 (Skinner) – As Amended May 30, 2024

SENATE VOTE: 35-0

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

SUMMARY: Revises the California Hope, Opportunity, Perseverance, and Empowerment (HOPE) Trust Account Program (HOPE Program) to exempt funds in trust accounts from means-tested programs and garnishment orders, imposes specified verifications, expands the HOPE Trust Account Program Board (Board), and specifies notifications requirements. Specifically, **this bill:**

- 1) 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.
- 2) Revises criteria to determine an “eligible child” to include the following:
 - a) Provides that a child’s parent, Indian custodian, or legal guardian who died as a medically recognized consequence of having long-term COVID-19 is eligible for the HOPE Program;
 - b) Requires the California State Treasurer (Treasurer) to verify the cause of death of the parent, Indian custodian, or legal guardian once they receive either of the following:
 - i) A death certificate that lists the cause of death as COVID-19; or,
 - ii) A death certificate that lists the cause of death as a medically recognized consequence of having long-term COVID-19 and documentation that the person was diagnosed or was in the process of being diagnosed with long-term COVID-19;
 - c) Requires the Treasurer to verify the minor’s family household income prior to the death of the parent, Indian custodian, or legal guardian once they receive either of the following:
 - i) Government-issued documents that establish the identity of the child and the person whose death certificate was provided was their parent, Indian custodian, or legal guardian with whom the child resided; or,
 - ii) A statement signed by a person who is eligible to do so under penalty of perjury that establishes the identity of the child and that the person whose death certificate was provided was the child’s parent, Indian custodian, or legal guardian with whom the

- child resided. Requires the Treasurer's office, in consultation with the Board, to establish a process to challenge a statement submitted pursuant to this subparagraph.
- d) Provides that a tribe that has notified the HOPE Program about the child's status as a dependent child under the tribal court is eligible for the HOPE Program; and,
 - e) Requires, if the child reunifies with their Indian custodian, is adopted, enters into a tribal customary adoption, or is placed into a legal guardianship, at any point in time, the child to remain an eligible child and program enrollee and shall be able to access their HOPE trust account.
- 3) Strikes the provision that an eligible child whose parent, Indian custodian, or legal guardian has not opted the child out of program participation is considered a "program enrollee."
 - 4) Adds two additional members to the Board for a total of 11 members, including:
 - a) A public member who is 18 to 26 years of age, inclusive, and who was previously or is currently a foster youth with at least 18 months spent in the foster care system appointed by the Assembly; and,
 - b) A public member who is 18 to 26 years of age, inclusive, and who has not lost an immediate family member to death caused by or, as a consequence of, COVID-19 or long-term COVID-19, and has experienced poverty appointed by the Senate.
 - 5) Strikes the requirement that the Board consult with the advisory workgroup, as established, to administer the program and the funds appropriated for the program in alignment with the intent of the Legislature to create opportunities, economic autonomy, and hope, and to promote wealth and asset building for an eligible child and eligible youth to address California's record levels of inequality.
 - 6) Deems the adoption, amendments, repeal, or re-adoption of a regulation authorized by the Board to address an emergency, and exempts the Board for this purpose from the requirements that authorize an agency that is considering adopting, amending, or repealing a regulation to consult with interested persons before initiating regulatory action.
 - 7) Requires moneys in the HOPE for Children Trust Account Fund to be continuously appropriated, without regard to fiscal year, to the Treasurer for implementation of the program.
 - 8) 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.
 - 9) Permits, with the approval of the Board, the 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 to increase the amount of individual trust accounts for eligible youth or to extend youth eligible for the HOPE Program. Allows these funds to target a subpopulation of youth or youth within a specific geographic region.

- 10) Strikes the requirement that the Board submit a written annual expenditure plan detailing proposed uses of funding to the Department of Finance (DOF) and the Joint Legislative Budget Committee by October 1 of every year. Further strikes the requirement that the Board, to the extent the Board's administrative costs will or are projected to exceed 5%, to 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% to DOF and the Joint Legislative Budget Committee. Strikes the DOF's authority to provide funds for administration of the HOPE Program that exceed 5%, 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.
- 11) Permits, to the extent allowed under federal law, funds deposited and investment returns accrued in a HOPE trust account to be subject to a levy.
- 12) 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, including, but not limited to, California Work Opportunity and Responsibility to Kids (CalWORKs), CalFresh (known federally as the Supplemental Nutrition Assistance Program), General Assistance, Medi-Cal, Kindship Guardianship Assistance Payment (Kin-GAP), or Adoption Assistance Program, and Cash Assistance Program for Immigrants, and any scholarships for public colleges and universities, including, but not limited to, Cal Grant awards, Chafee grant awards, Middle Class Scholarship Program awards, California College Promise Grants, California State University Educational Opportunity Program grants, Community College Extended Opportunity Programs and Services grants, and grants from the University of California or California State University, until an eligible youth withdraws or transfers the funds from the HOPE trust fund account, at which point, the distribution of the funds shall be considered a lump-sum payment and requires the balance be counted to any extent that the balance of any savings account is counted as income or an asset in a program.
- 13) Requires, to the extent permitted by federal statute, a one-time lump sum withdrawal made from a HOPE trust account to be considered as exempt property for all programs established under the Welfare and Institutions Code (WIC).
- 14) Requires a one-time lump sum payment made from a HOPE trust account to be automatically exempt from a garnishment order. This does not apply to a garnishment order in connection with an action for, or a judgment awarding, child support, spousal support, family support, or a criminal restitution payable to victims.
- 15) Requires, notwithstanding any other law, a financial institution receiving directly from the state the payments described in 14) above to exempt those payments from any garnishment order if the payment is marked by the state as a "HOPE trust account payment" or includes some other industry-standard unique identifier that is reasonably sufficient to allow the financial institution to identify the funds as a HOPE trust account payment.
- 16) Requires, in exempting a HOPE trust account payment from a garnishment order, a financial institution to identify an exempt deposit using a lookback period during an account review.

- 17) Requires the financial institution to perform a one-time account review consistent with requirements described in specified federal regulations.
- 18) Exempts a financial institution that attempts in good faith to comply with 12) above through 21) below to be subject to liability or regulatory action under a federal or state law, regulation, court or other order, or regulatory interpretation for actions concerning applicable payments.
- 19) Defines the following:
 - a) “Account review” to mean the process of examining deposits in an account to determine if a benefit agency has deposited a benefit payment into the account during the lookback period;
 - b) “Garnishment order” to mean a writ, order, notice, summons, judgment, levy, or similar written instruction issued by a court, the state or a state agency, or a municipality or municipal corporation, including an order to freeze the assets in an account, to effect a garnishment against a debtor; and,
 - c) “Lookback period” to mean the two-month period that begins on the date preceding the date of account review and ends on the corresponding date of the month two months earlier or on the last date of the month two months earlier if the corresponding date does not exist.
- 20) Permits, notwithstanding the rulemaking provisions of the Administrative Procedure Act, CDSS to implement and administer the garnishment order provisions by means of all-county letters or similar instructions from CDSS until regulations are adopted.
- 21) Requires the garnishment order provisions to be operative on July 1, 2025, or on the date that CDSS notifies the Legislature of either of the following, whichever is later:
 - a) CalSAWs can perform the necessary automation to implement this section; or,
 - b) CARES can perform the necessary automation to implement this section.
- 22) Requires the 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.
- 23) Requires the disseminated information to include, but not be limited to, all of the following:
 - a) The mechanics of how appropriations are made to the account and how to track the balance of the account;
 - b) The process and timeline for withdrawing the funds from a HOPE trust account;
 - c) The process and timeline for transferring the funds to an Achieving a Better Life Experience (ABLE) account, an account opened under the CalSavers Retirement Savings Program, or an account opened under the California Kids Investment and Development Savings Program; and,

- d) How to obtain additional information on the HOPE Program.
- 24) Requires the disseminated information to include a method for the parent, Indian custodian, or legal guardian of an eligible child or an eligible youth to acknowledge that they have read all of the disclosures and understand their content.
- 25) Requires the disseminated information with the disclosure form to be made available to parents, Indian custodians, or legal guardians of eligible children and to eligible youth by the HOPE Program and supplied to all parents, Indian custodians, or legal guardians of eligible children and to eligible youth gaining access to their HOPE trust account.
- 26) Requires the disseminated information with the disclosure form to be supplied to parents, Indian custodians, or legal guardians of eligible children and to eligible youth when the HOPE Program is initially launched.
- 27) Authorizes, if the Treasurer deems it necessary, the Treasurer to establish an enrollment period for eligible children who are not automatically enrolled, if this information is provided in the disseminated information.
- 28) States legislative intent that all eligible children will be automatically enrolled for a HOPE trust account to the extent possible. To achieve this goal, the Treasurer shall do both of the following:
- a) Collaborate with CDSS pursuant to a data sharing agreement, and any other relevant governmental agencies or departments, to gather de-identified data to maximize participation in the HOPE Program for eligible youth. For purposes of this subdivision, any information provided by CDSS to the Treasurer shall be disclosed only to the extent permitted under state and federal confidentiality laws and regulations, and the information received by the Treasurer shall only be utilized to the extent allowable by federal and state law, regulation, and guidance and only for the purposes of facilitating enrollment in the HOPE Program; and,
 - b) Collaborate with the California Department of Public Health, and any other relevant governmental agencies or research institutions, to identify parents, Indian custodians, or legal guardians of children who have lost a parent, Indian custodian, or legal guardian as a result of a COVID-19-related death for the purpose of conducting outreach to those families about the HOPE Program.
- 29) Requires the Treasurer to comply with federal and state laws to protect individuals privacy, including, but not limited to, the Information Practices Act of 1977.
- 30) Requires, notwithstanding any other law, individual records or source data associated with the establishment of a HOPE trust account to not be subject to disclosure under the California Public Records Act.
- 31) Allows, notwithstanding any other law, the Treasurer to share HOPE trust account data with the United States (U.S.) Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE), and California research institutes supported by ASPE, including, but not limited to, the Center for Poverty Research at the University of California, Davis, and the Stanford Center on Poverty and Inequality at Stanford University,

to conduct and report on research related to the impact of the HOPE trust accounts. Allows the Treasurer to only share data to the extent that it also complies with federal and state laws to protect individual privacy in accordance with 29) above.

- 32) Authorizes, except as provided in 33) below, a program enrollee who is also an eligible youth to, on and after their 18th birthday, withdraw or transfer funds from their HOPE trust account.
- 33) Authorizes a program enrollee who is a nonminor dependent, as defined, to withdraw or transfer funds from their HOPE trust account on and after their 18th birthday, or upon exit from foster care if exiting foster care prior to 21 years of age.
- 34) Requires the Treasurer to assist a nonminor dependent, as defined, who is eligible for an ABLE account, as defined, and their parent, Indian custodian, or legal guardian, in transferring funds from their HOPE trust account to the ABLE account.
- 35) Requires the Treasurer to assist eligible youth in transferring funds from their HOPE trust account to an account opened under the CalSavers Retirement Savings Program, as defined, an account opened under the California Kids Investment and Development Savings Program as defined, or an account opened under the CalAccount Program, as defined, once that other account is established.
- 36) Requires the Treasurer to maintain a publicly available internet website where program enrollees and, as determined appropriate by a policy set by the Treasurer in consultation with the Board, their parents, Indian custodians, or legal guardians, may have password-protected 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.
- 37) Requires the Treasurer to annually submit an audited financial report, prepared in accordance with generally accepted accounting principles, on the operations of the HOPE Program by August 1 to the Governor, the California State Controller, the California State Auditor, and the Legislature. Requires the annual audited financial report to be prepared by an independent certified public accountant, and shall include, but not be limited to, direct and indirect costs attributable to the use of outside consultants, independent contractors, and any other persons who are not state employees.
- 38) Requires the annual audited financial report to be supplemented by all of the following information prepared by the Treasurer:
 - a) Any studies or evaluations prepared in the preceding year;
 - b) A summary of the benefits provided by the HOPE Program, including the number of participants in the trust; and,
 - c) Any other information that is relevant in order to make a full, fair, and effective disclosure of the operations of the HOPE Program.

- 39) Requires the state to not have any liability for the payment of the HOPE trust account benefits earned by program participants pursuant to this chapter. Requires the state, and any of the funds of the state, to have no obligation for payment of the benefits arising from this chapter.
- 40) Makes legislative findings and declarations that 28) through 31) above, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following finding to demonstrate the interest protected by this limitation and the need for protecting that interest: to protect the confidential information of children who may be eligible for a HOPE trust account and their parents, Indian custodians, or legal guardians, it is necessary for this act to limit access to that information.
- 41) 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.
- 42) States legislative intent amending the HOPE Program to support the implementation of the program, including clarifying language that the accounts are exempt from consideration as income or assets in means-tested programs and that the accounts shall not be subjected to a money judgment or Franchise Tax Board intercept.
- 43) Makes technical and conforming amends.

EXISTING LAW:

- 1) Establishes the California HOPE for Children Trust Account Act. (WIC § 18997.5)
- 2) Defines the following:
 - a) "Account," "trust account," or "HOPE trust account," to mean the California HOPE for Children Trust Account in the name of an eligible child or eligible youth;
 - b) "Board" to mean the California HOPE for Children Trust Account Program Board;
 - c) "Department" to mean CDSS; and,
 - d) "Eligible child" to mean a minor resident of California who is under 18 years of age, has not emancipated from their parent, Indian custodian, or legal guardian, and meets one of the following qualifications:
 - i) They reside in California and their parent, Indian custodian, or legal guardian died during the federally declared COVID-19 public health emergency, and the cause of death for the parent, Indian custodian, or legal guardian is listed as COVID-19 on their death certificate or they died as a consequence of having long-term COVID-19, and 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, as defined. For purposes of this paragraph, "family household" means one or more persons, all of whom are related by marriage, birth, adoption, or guardianship, and "federal poverty level" means the poverty guidelines updated

- periodically in the Federal Register by the United States Department of Health and Human Services; or,
- ii) A foster child who resides in California, or is a California resident who is placed out of state by a juvenile or tribal court, and meets both of the following:
 1. The child has been adjudged a dependent child of the juvenile court on the grounds that the child is a dependent child of the court, or the child has been adjudged a ward of the juvenile court, as described, or the child is a 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. The department shall not require an Indian tribe, consortium of tribes, tribal organization, or tribal court representative to notify the department of any child who is a dependent of the tribal court; and,
 2. The child meets one of the following:
 - a. The child is subject to a foster care order, has been in foster care for at least 18 months, and reunification services have been terminated by an order of a juvenile or tribal court; or,
 - b. The child is subject to a foster care order after 16 years of age, and reunification services have been terminated by an order of a juvenile or tribal court;
 - iii) Requires, notwithstanding clause 2) of ii) of d) above, if the child reunifies with their parent or legal guardian, is adopted, enters into a tribal customary adoption, or is placed into a legal guardianship, at any point in time subsequent to meeting specified qualifications, the child to remain an eligible child and program enrollee and to be able to access their HOPE trust account, but 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.
 - e) "Eligible youth" to mean a program enrollee for whom a HOPE trust account was established and who is now eligible to withdraw or transfer funds from their HOPE trust account;
 - f) "Fund" means the California HOPE for Children Trust Account Fund;
 - g) "HOPE Trust Account Program" or "program" to mean the California HOPE for Children Trust Account Program; and,
 - h) "Program enrollee" to mean an eligible child who has not enrolled in the program and whose parent, Indian custodian, or legal guardian has not opted the child out of program participation, and an eligible youth who was enrolled as an eligible child in the program and has not terminated their participation. (WIC § 18997.51)
- 3) Creates within state government the Board, which shall consists of nine members, as follows:

- a) The Treasurer, or their designee, who shall serve as the chair;
 - b) The Director of Finance, or their designee;
 - c) The Controller, or their designee;
 - d) An individual with expertise in poverty alleviation and the racial wealth gap appointed by the Senate Committee on Rules;
 - e) An individual with investment expertise appointed by the Speaker of the Assembly;
 - f) An individual with expertise on financial empowerment and consumer protection appointed by the Governor;
 - g) A public member who has experienced childhood poverty appointed by the Governor;
and,
 - h) Two additional nonvoting members appointed by the Governor. (WIC § 18997.52(a)(1))
- 4) Requires the HOPE Advisory Group, convened by the Treasurer, to specifically focus on, but need not be limited to: who is included as an “eligible child” or “eligible youth,” including the ability to include individuals without social security numbers or individual tax identification numbers, the responsible agency for determining eligibility, and estimates or likely program enrollees by year. (WIC 18997.54(c)(1))
 - 5) Requires moneys in the Fund to be used to establish HOPE trust accounts for an eligible child and to provide initial deposits and any future deposits into accounts. (WIC § 18997.53(c))
 - 6) Requires the Board to submit a written annual expenditure plan detailing proposed uses of funding to DOF and the Joint Legislative Budget Committee by October 1 of every year. Requires, to the extent the Board’s administrative costs will or are projected to exceed 5%, the Board to 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% to the DOF and the Joint Legislative Budget Committee. (WIC § 18997.53(d))
 - 7) Requires all assets of the fund and moneys allocated to individual HOPE trust accounts to be considered to be owned by the state until an eligible youth withdraws or transfers money from their HOPE trust account. (WIC § 18997.53(e))
 - 8) Requires, to the extent allowed under federal law, because funds are considered an asset of the state until withdrawn or transferred by an eligible youth, all of the following to apply to funds deposited and investment returns accrued in a HOPE trust account:
 - a) It is nontransferable to any person other than the eligible youth, and only as permitted pursuant to this chapter;
 - b) It shall not be pledged as collateral for any loan; and,
 - c) It may be subject to a lien. (WIC § 18997.53(f))

- 9) Allows a CalWORKs applicant or recipient, to the extent permitted by federal law, to retain countable resources in an amount not to exceed \$10,000 for assistance units that do not include at least one member 60 years of age or older or a disabled member, and in an amount not to exceed \$15,000 for assistance units that include at least one member 60 years of age or older or a disabled member. (WIC § 11155(a))
- 10) Allows the child or nonminor to retain cash savings, not to exceed \$10,000, including interest. (WIC § 11390 (f)(2))

FISCAL EFFECT: According to the Senate Appropriations Committee analysis on May 18, 2023:

- Unknown potential General Fund (GF) costs, for increased caseload and benefit costs resulting from the treatment of HOPE account funds for purposes of eligibility for various means-tested programs. Any potential costs would depend on various factors, including the number of youth receiving HOPE accounts and the amount of the accounts.
- Unknown potential GF costs for state administration for implementing eligibility changes in the means-tested programs.
- Cost to counties for administration would be potentially reimbursable by the state, subject to a determination by the Commission on State Mandates.

COMMENTS:

Background: *Childhood Poverty.* Access to wealth is the most significant predictor of a child's future financial success, even more so than making higher wages. Yet, building wealth remains out of reach for children growing up in poverty. Despite decades of statewide economic growth, nearly one-third of Californians, including over 1.5 million children, are living in or near poverty. This lack of wealth disproportionately affects Black and Latinx children who experience poverty at rates of 17.8% and 19.5% respectively, compared to 7.2% for non-Hispanic white children. Similarly, non-citizens (24.4%) face disproportionately high rates of poverty, more than twice that of the U.S.-born population (11.2%). Research shows that living in poverty has a wide range of negative effects on the physical and mental health of children at home, in school, and in their communities. Chronic stress associated with living in poverty has been shown to adversely affect children's educational outcomes, which contributes to the cycle of poverty by making it more difficult for low-income children to lift themselves and future generations out of poverty.

During the COVID-19 pandemic, child poverty surged from 5.2% to 12.4% from 2021 and 2022, marking the largest one-year increase ever reported. The pandemic disproportionately affected Latinx/Hispanic and African Americans 18 to 34 year of age, as well as women and immigrants in low-wage jobs. These groups, already facing long-standing wealth and income inequalities, had fewer resources to rely on when the pandemic abruptly cut their incomes due to illness, mandated shutdowns, or both. Children who lost a parent or primary caregiver are particularly vulnerable. It is estimated that 8,000 to 10,000 children who have lost one of their parents or legal guardians to COVID-19 and whose household income, prior to that person's death, was low enough to qualify them for enrollment in Medi-Cal for Kids. For these children, their low household income and lack of wealth are further compounded by the loss of a parent. Studies indicate that bereaved children are at higher risk of academic failure, depression, alcohol and

substance misuse, violent crime, suicide attempts, suicide, and premature death from any cause, and a higher likelihood of becoming incarcerated.

Another population significantly impacted by lack of wealth is the foster youth community. In California, the high cost of living creates an additional barrier to success for the 70.4% of foster youth who live below the poverty line. These systemic barriers contribute to 31% of transition-age foster youth experiencing homelessness. Without adequate support, foster youth are also vulnerable to incarceration. A study by the Children's Data Network and the California Department of Justice found that 43% of individuals arrested or booked before 25 years of age had faced childhood abuse or neglect. Additionally, Black and Native American youth are disproportionately represented in foster care, with their proportions being around four times larger than their share of the California youth population overall. Children who remain in foster care for over 18 months and no longer receive parental reunification services (i.e. "long-term foster children") are least likely to be adopted, making them more likely to transition from foster care into adulthood. Statistically, they are more likely to have 50% lower earnings and 20% lower employment rates by 26 years of age compared to young adults with similar levels of education, with one-third experiencing homelessness.

Safety Net. According to End Poverty in California (EPIC), the safety net aims to counteract the poverty and disparities created by other institutions by providing financial and programmatic support to those in economic need. In California, the safety net comprises various programs that provide a combination of supports and services, including cash grants, nutritional assistance, housing aid, and tax credits. These programs include CalFresh, CalWORKs, school lunch programs, the Women, Infants and Children Nutrition Program, state and federal Earned Income Tax Credit (EITC), the child tax credit, General Assistance, and Supplemental Security Income/State Supplementary Payment.

These programs help millions of Californians each year. According to the Public Policy Institute of California, the federal EITC lowered poverty rates the most in 2023 by 1.1 points overall. CalFresh kept 1.1 million Californians out of poverty, up from 1 million in fall 2021. In 2022-23, about 5.1 million Californians received a total of \$14.5 billion in federally funded CalFresh benefits and approximately 331,000 families relied on CalWORKs. EPIC and other advocates highlight that, despite the safety net lifting millions of Californians out of poverty each year, many individuals still do not receive the assistance they need due to these means-tested programs often requiring that individuals meet strict eligibility criteria. This is particularly true for immigrants in California, especially undocumented immigrants, as indicated by their higher poverty rates.

While these programs primarily address immediate needs, they do not necessarily encourage long-term wealth accumulation and economic independence, as most have income and asset limits. For example, as a result of SB 80 (Committee on Budget and Fiscal Review), Chapter 27, Statutes of 2019, the maximum asset limit for CalWORKs households increased from \$2,250 to \$10,000, which means a CalWORKs applicant or recipient would not qualify for CalWORKs if their assets surpassed the \$10,000 limit. Similarly, a child or nonminor recipient of Kin-GAP benefits may retain cash savings, but not to exceed \$10,000, including interest. Federal law requires assets to not exceed \$2,750 for CalFresh households that do not have a member 60 years of age or who has a disability, and less than \$4,250 in assets for households with such a member. A monumental change from the norm, Medi-Cal is no longer considering assets like bank accounts, cash, property or vehicles as of 2024, but will continue to consider income.

Baby Bonds are government-funded trust accounts, often established at the federal level and provided to every newborn infant as a way to provide significant financial assets to young adults who would otherwise not have the financial means to pursue things like education or home ownership without incurring substantial debt. Baby bonds are typically seen as establishing a “minimum wealth floor,” to address inequalities exacerbated by wealth gaps that disproportionately impact people of color. EPIC’s report, *Ending Poverty in California: A Blueprint for a Just and Inclusive Economy*, emphasizes that “wealth buys opportunity...” meaning some Californians “grow up in a world rich with opportunity, while others don’t have access to the capital needed to realize their dreams.”

The concept gained traction in the early 2000s with the United Kingdom’s Child Trust Fund program initiated by former Prime Minister Gordon Brown, which endowed £250 to every baby born from September 2002 and onwards, and up to £500 for children from low-income families who also qualified for a child tax credit. This program allowed for private contributions to the account of up to £1,200 annually and placed no restrictions on the use of funds upon withdrawal at 18 years of age. However, this program ended in 2010 under Chancellor George Osborne.

In the U.S., the idea of child trust accounts or baby bonds has been discussed by academics and politicians for years. Hillary Clinton proposed a \$5,000 baby bond during her 2008 presidential campaign and revisited the idea in her 2016 campaign. More recently, U.S. Senator Cory Booker and U.S. Congresswoman Ayana Pressley advocated for American Opportunity Accounts, providing \$1,000 at birth to every child, with annual contributions up to \$2,000 based on family income. These funds would be accessible at 18 years of age, restricting the fund’s use to pay for college, buying a house, or saving for retirement. This proposal aims to address worsening wealth inequality in the U.S., highlighted by a 2020 Brookings Institution article noting the stark contrast in median net worth between White families (\$171,000) and Black families (\$17,150), with the Forbes 400 owning more wealth than all Black families in the U.S. combined. At this time, neither Congress nor the Biden-Harris Administration has taken action on this proposal.

The California HOPE for Children Trust Account Act. While baby bonds have yet to be achieved at the national scale in the U.S., California created the HOPE for Children Trust Account Program, established through AB 156 (Committee on Budget), Chapter 569, Statutes of 2022, which is the second state-sponsored baby bonds program in the country (after Connecticut) to offer publicly funded trust accounts for children from low-wealth families that they can access once they become adults as a way to address the racial wealth gap and intergenerational poverty.

Set to officially launch in 2025, a one-time budget appropriation of \$100 million plus \$15 million in ongoing annual appropriations was allocated to fund trust accounts for an estimated 58,500 COVID-bereaved and long-term foster children through annual deposits that adjust for inflation, with the goal of reaching \$4,500 or more by the time they reach 18 years of age. Existing law defines eligible children as: 1) 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, Indian custodian, or legal guardian, would have qualified the child for Medi-Cal benefits; and, 2) children under 18 years of age who have been in foster care for at least 18 months or were placed into foster care after 16 years of age and parent reunification services have been terminated.

Under the program, all assets of the fund and moneys allocated to individual HOPE trust accounts are considered to be owned by the state until an eligible youth withdraws or transfers money from their HOPE trust account. The amount of funds each participant accrues may vary based on when they turn 18 years of age. For example, a youth turning 18 years of age in 2025 will receive \$4,500, while younger children with more time before they reach 18 will receive smaller initial deposits. Participants who reach 18 years of age have the option to withdraw the funds or leave them invested for up to another eight years. Each account must be withdrawn by the time a child reaches 26 years of age, or else funds left in the accounts after age 26 will be forfeited and returned to help capitalize other participant accounts. In addition to receiving funds, 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 30 years of age.

HOPE Trust Account Program Board. The HOPE Act created the Board to develop investment policies, oversee the administration of the HOPE Program, and advise the Treasurer on relevant data related to ongoing program enrollment. The HOPE Act required the Board to coordinate with the HOPE Advisory Workgroup comprised of various experts and deliver a report to the Legislature by February 1, 2024, which includes an implementation plan, best practices to administer the program, and how to engage community partners for optimal, ongoing program enrollment with the goal of expanding the HOPE Program to all California children born into poverty. The report calls on the following statutory changes that will be needed prior to launching the program in 2025, all of which are included in this bill:

- Exempt distributions from counting as income or resources for any purposes;
- Clarify that COVID-bereaved children are eligible when COVID or long-COVID are listed as an underlying cause of death on a death certificate;
- Allow signed attestation to establish eligibility for enrollment where official documents are unavailable;

The report also details recommended statutory changes that would help strengthen the HOPE Program before launch, which include:

- Expand eligibility to include income-qualified COVID-19 bereaved children who lose their primary caregiver;
- Expand eligibility to include unaccompanied refugee minors;
- Create a way to identify children who might be eligible for the HOPE Program by adding a checkbox on death certificates to indicate when death is a result of COVID-19 or long COVID and the deceased is survived by minor children;
- Add a voting seat on the Board for youth who have been in foster care for 18 months, has lost a parent, guardian, or primary caregiver to death caused by or as a consequence of COVID-19 or long-term COVID, or are experiencing poverty;
- Allow unexpended administrative funds to be returned to the HOPE Fund; and,

- Change the name from HOPE, as a CalHOPE program already exists.

Existing law requires the HOPE Advisory Group to focus on who is included as an “eligible child” and “eligible youth”, including the ability to include individuals without current social security numbers or individual tax identification numbers. According to the report, these children were extended eligibility “to ensure the HOPE program does not unintentionally create wide gaps exacerbated by federal survivor benefits program, whose strict eligibility requirements have left behind many of the children the HOPE Program is attempting to reach, including but is not limited to children whose deceased parents were immigrants or had much less time working in a job that offered benefits.”

This bill includes one of the above listed recommendations, which adds two new members to the Board representing youth who are a current or former foster youth 18 to 26 years of age and another public member 18 to 26 years of age who has experienced poverty, but has not lost a family to COVID-19. In addition to adopting the aforementioned report’s recommendations, *this bill* requires the Treasurer to verify the cause of death of the parent, Indian custodian, or legal guardian through a death certificate that lists COVID-19 as the cause of death or as a medically recognized consequence of long-term COVID-19, as well as verify the minor’s family household income prior to the death of the parent or guardian.

This bill exempts funds in the trust account from garnishment, except in cases related to child support, spousal support, family support, or criminal restitution payable to victims, and requires funds to not be considered income or assets when determining eligibility for other means-tested programs, such as CalWORKs, CalFresh, and Medi-Cal. *This bill* further exempts a one-time lump sum withdrawal made from a HOPE trust account to be considered as property for all programs under WIC. *This bill* requires funds in the HOPE Trust Account Fund to be continuously appropriated, without regard to fiscal year to the Treasurer to ensure uninterrupted implementation of the program, as well as authorizes the Treasurer to accept contributions of funds from various sources to enhance existing trust accounts or create new ones.

This bill authorizes the Treasurer to share data with federal and state agencies for research purposes related to the impact of the HOPE trust accounts, as well as requires the Treasurer to collaborate with state agencies or departments to gather data to maximize participation in the HOPE Program in accordance with federal and state privacy laws. *This bill* requires the Treasurer, in consultation with the Board, to design and disseminate information to eligible families about the program, as well as requires the Treasurer to maintain a publicly available website where program enrollees and their guardians can access information about the trust accounts, such as viewing account balances and tracking the growth of the funds. Moreover, *this bill* requires the Treasurer to annually submit an audited financial report detailing the program’s operations and financial status to ensure that the program is managed efficiently and effectively.

Author’s Statement: According to the Author, “I’m so pleased that we were able to launch the HOPE Trust Fund Program in the Budget Act of 2022. It will offer a more secure future to children who lost a parent to the deadly pandemic and to youth who are long-term wards of California’s foster care system. HOPE Accounts, also known as baby bonds, are a hopeful new policy that will help these children facing economic hardship by providing them with resources they can count on when they turn 18.”

Equity Implications: The HOPE Act creates an unprecedented investment of wealth into two of our state’s most financially vulnerable children: children in the foster care system who are no longer receiving parental reunification services and have not been adopted after 18 months; and, children who have lost a parent, Indian custodian, or legal guardian to COVID-19 or long COVID whose household income was low enough prior to the parent’s death to qualify the child for Medi-Cal – both of which disproportionately impacts children of color.

For what may be the first time, these children will have an asset in their own name, that only they will be able to control. As a result, they will be able to exercise economic autonomy and build wealth with their own assets, which enables them to pay for a college education, purchase a home, and transfer wealth intergenerationally, among other benefits. Overall, this bill has the potential to address equity by working to reverse the trends of racial economic inequality and close the racial wealth gap.

RELATED AND PRIOR LEGISLATION:

AB 156 (Committee on Budget), Chapter 569, Statutes of 2022, see comments above.

SB 854 (Skinner) of 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. *SB 854 was held on the Senate Appropriations Committee suspense file and adopted in the budget through AB 156.*

SB 80 (Committee on Budget and Fiscal Review), Chapter 27, Statutes of 2019, see comments above.

REGISTERED SUPPORT / OPPOSITION:

Support

End Poverty in California (EPIC) (Co-Sponsor)
Grace Institute - End Child Poverty in CA (Co-Sponsor)
Liberation in A Generation (Co-Sponsor)
Agee Global Solutions, LLC (UNREG)
Aspiranet
California Alliance of Child and Family Services
California Catholic Conference
California Immigrant Policy Center
City of Alameda
CleanEarth4Kids.org
County of Santa Clara
ETTA
Hadassah
Health Net and its Affiliated Companies
Jewish Center for Justice
Jewish Community Relations Council (SACRAMENTO)
Jewish Democratic Club of Silicon Valley

Jewish Democratic Club of Solano County
Jewish Family & Community Services East Bay
Jewish Family and Children's Service of Long Beach and Orange County
Jewish Family and Children's Services of San Francisco, the Peninsula, Marin and Sonoma
Counties
Jewish Family Service of Los Angeles
Jewish Family Service of San Diego
Jewish Family Service of the Desert
Jewish Family Services of Silicon Valley
Jewish Federation of Greater Los Angeles
Jewish Federation of Greater Santa Barbara
Jewish Federation of the Greater San Gabriel and Pomona Valleys
Jewish Federation of the Sacramento Region
Jewish Long Beach
Jewish Public Affairs Committee
Jewish Silicon Valley
JVS SoCal
Milpa Collective
Progressive Zionists of California

Opposition

None on file.

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