Date of Hearing: June 30, 2021

ASSEMBLY COMMITTEE ON HUMAN SERVICES
Lisa Calderon, Chair
SB 739 (Cortese) – As Amended June 23, 2021

SENATE VOTE: 31-4

SUBJECT: California Universal Basic Income for Transition-Age Youth pilot project

SUMMARY: Requires the California Department of Social Services (CDSS), beginning January 1, 2022, and until December 31, 2025, to administer the California Universal Basic Income (CalUBI) for Transition-Age Youth (TAY) pilot project with the goal of improving outcomes for foster youth, and requires CDSS to provide a report to the Legislature detailing certain outcomes for program participants, models utilized, and measures specific to the objectives of the program, as specified. Specifically, **this bill**:

1) Defines "universal basic income" (UBI) as unconditional cash payments of equal amounts issued monthly to eligible individuals with the intention of ensuring the economic security of program recipients.

2) Requires CDSS, beginning January 1, 2022, and until December 31, 2025, subject to an appropriation by the Legislature, to administer the CalUBI for TAY pilot project with the goal of improving outcomes for foster youth.

3) Deems, under the pilot project, a California resident who ages out of the Extended Foster Care (EFC) program at 21 years of age during the year of 2022, regardless of what age they entered EFC, as eligible for the CalUBI for TAY program, and, further, requires those eligible youth receive a UBI of $1,000 per month for three years.

4) Makes inoperative as of January 1, 2026, the provisions of this bill requiring CDSS to establish a CalUBI for TAY.

5) Prohibits, to the extent authorized under federal law, UBI provided through the CalUBI for TAY program from being considered as income or resources for purposes of determining eligibility to receive benefits or the amount of those benefits under the following public social services, programs, and financial aid:

    a) California Work Opportunity and Responsibility to Kids (CalWORKs);

    b) CalFresh;

    c) Transitional Housing Placement-Plus;

    d) California Earned Income Tax Credit (CalEITC);

    e) Medi-Cal; and,

    f) State and federal financial aid and college support programs, including, but not limited to, the Cal Grant Program, Chafee grant awards, and Pell Grants, among others, as specified.

6) Requires CDSS to work with at least one independent, research-based institution to identify existing, and establish additional, outcome measurements, and, further, requires those measurements to inform an evaluation report to be submitted to the Legislature after the conclusion of each year of the pilot program.

7) Requires the evaluation report to include outcomes for foster youth served by the CalUBI for TAY program, models utilized, and measures specific to the objectives of the project.

8) Permits CDSS to accept and expend funds from nongovernment sources for the evaluation, for a longitudinal study of the CalUBI for TAY program that is in addition to the evaluation, or for both.

9) Requires the evaluation report submitted to the Legislature to include, but not be limited to, all of the following information with respect to the period of evaluation:

    a) Starting income of the participant before receiving monthly UBI payments under the CalUBI for TAY program;

    b) Geographic indicators, including county of residence, city, and zip code;

    c) Employment status of the participant before receiving monthly UBI payments;

    d) Housing status of the participant before receiving monthly UBI payments; and,

    e) Additional descriptive and outcome indicators, as appropriate.

10) Permits CDSS, for purposes of administering the pilot program, to accept in-kind contributions, including, but not limited to, financial mentorship services for recipients.

11) Permits CDSS to implement, interpret, or make specific the provision of this bill by means of departmental directives or similar instructions.

12) Makes operative the provisions of this bill on January 1, 2022.

13) Repeals the provisions of this bill as of January 1, 2027.

EXISTING LAW:

1) Establishes a state and local system of child welfare services, including foster care, for children who have been adjudged by the court to be at risk of abuse and neglect or to have been abused or neglected, as specified. (Welfare and Institutions Code Section [WIC] 202)

2) States that the purpose of foster care law is to provide maximum safety and protection for children who are currently being physically, sexually, emotionally abused, neglected, or exploited, and to ensure the safety, protection, and physical and emotional well-being of children who are at risk of harm. (WIC 300.2)

3) Provides for extended foster care funding for youth until age 21, as well as adopts other changes to conform to the federal Fostering Connections to Success Act. (WIC 241.1, 303, 366.3, 388, 391, 450, 11400, 11402, 11403)

4) Defines "nonminor dependent" (NMD) as a current or former foster youth who is between 18 and 21 years old, in foster care under the responsibility of the county welfare department, county probation department, or Indian Tribe, and participating in a transitional independent living plan, as specified. (WIC 11400(v))

5) Requires a NMD to meet one or more of the following participation requirements to remain under a foster care order by the juvenile court: be completing a secondary education or program leading to an equivalent credential; be enrolled in an institution that provides postsecondary or vocational education; be participating in a program or activity designed to promote or remove barriers to employment; be employed for at least 80 hours per month; or be incapable of doing any of the above due to a medical condition, as supported by regularly updated information in the youth's case plan. (WIC 11403(b))

6) Provides that for youth exiting from care, at 18 or 21 years of age, a case worker, other appropriate agency staff or probation officer and other representatives of the participant, as appropriate, shall provide the youth or NMD with assistance and support in developing the written 90-day transition exit plan, that is personalized at the direction of the child or NMD, as provided. (WIC 16501.1(g)(16))

FISCAL EFFECT: According to the Senate Appropriations Committee on May 10, 2021:

- While the bill's provisions would be contingent upon an appropriation, it could result in General Fund (GF) cost pressure of approximately $29 million to $30 million each year for a three-year period. This estimate assumes monthly UBI payments of $1,000 to between 2,400 to 2,500 former foster youth that exit the system each year. The bill defines UBI as unconditional cash payments of equal amounts issued monthly to individual residents of California with the intention of ensuring the economic security of recipients.

- CDSS estimates the need for 2.0 additional staff at an annual GF cost of $350,000 to $400,000 for a three-year period to administer the program.

COMMENTS:

Child welfare services system (CWS): The goal of California's CWS system is ultimately to protect children from abuse and neglect, and provide for their health, safety, and overall well-being. When a child is identified as being at risk of abuse or neglect, county juvenile courts hold legal jurisdiction and the CWS system appoints a social worker in order to ensure the needs of the child are met. Through the CWS system, multiple opportunities arise for the judicial system to evaluate, review, and determine the custody of the child, or determine the best out-of-home placement for the youth. Together, the judicial system and the child's social worker work to ensure that the best possible services are provided to the child. The CWS system, when appropriate, also works to reunite children who have been removed from the custody of their parents or guardians with individuals they consider to be family in order to maintain familial bonds wherever possible. As of January 1, 2021, there were 59,716 youth placed in California's child welfare system.

Extended foster care: In 2010, AB 12 (Beall), Chapter 559, Statutes of 2010, extended foster care benefits for certain eligible youth until the age of 21. Prior to the expansion of foster care benefits, youth "aged out" of the CWS system at 18 years old and were required to navigate the challenges of young adulthood, including obtaining education, stable housing, and employment, without the support of the CWS system. In recognition of the difficulties faced by these youth, extended foster care provides eligible youth between the ages of 18 and 21, known as NMDs, with the services and supports they need to experience independent living in supervised living environments. Extended foster care also enables youth to obtain educational and employment training to better prepare them to transition to adulthood and self-sufficiency.

In order to be eligible for extended foster care, youth must meet a number of criteria, including the requirement that a youth be in foster care under the responsibility of the county welfare or probation department on their 18th birthday, as well as meet the goals of a transitional independent living plan (TILCP), which describes the goals and objectives of how the NMD will make progress in the transition to living independently and will ultimately assume responsibility for themselves as an independent adult. The TILCP includes a TILP that ensures the youth is actively and meaningfully participating in one or more of the five criteria that must be met in order to participate in extended foster care, as well as the NMD's supervised placement setting, and the youth's permanent plan for transitioning to independent living.

Some youth choose to participate in extended foster care immediately following their 18th birthday, while others leave the foster care system after attaining 18 years of age, but choose to reenter care at some point before their 21st birthday under what is called a "voluntary reentry agreement." A voluntary reentry agreement is a written agreement between the youth and the county welfare or probation department, or a tribal placing entity, that documents the youth's desire and willingness to reenter foster care and be placed in a supervised setting under the placement and care responsibility of the placing agency, among other requirements.

The provisions of this bill do not directly pertain to youth in the EFC program; instead, this bill deems as eligible for the CalUBI for TAY program California residents who age out of EFC at 21 years of age during the year 2022, regardless of what age they entered EFC.

Guaranteed income: Sometimes referred to as UBI, guaranteed income involves providing people with direct, unconditional, recurring cash payments. According to the Stanford University Basic Income Lab,

> "In the U.S., variants of the UBI proposal were very much alive in the early second half of the twentieth century – including through figures like Martin Luther King, Jr. and Milton Friedman – but the conversation did not pick up much in subsequent decades. This changed around 2016, when several American personalities wrote on the policy…The growth of income and wealth inequalities, the precariousness of labor, and the persistence of abject poverty have all been important drivers of renewed interest in UBI in the U.S. But it is without a doubt the fear that automation may displace workers from the labor market at unprecedented rates that primarily explains the revival of the policy, including by many in or around Silicon Valley."

Several programs utilizing a guaranteed income model have been implemented throughout California in order to meet the needs of low-income individuals, including, among others:

The Stockton Economic Empowerment Demonstration (SEED): Founded in February 2019 by former Stockton Mayor Michael Tubbs, SEED provided randomly selected residents with $500 per month for 24 months, and then conducted a study to measure participants' job opportunities, financial stability, and overall well-being. To qualify for SEED, participants were required to be at least 18 years old, reside in Stockton, and live in a neighborhood with a median income at or below $46,033, which is the City of Stockton's median household income. Unlike other forms of public assistance, SEED funds were unconditional and did not place work requirements on the recipients.

Disbursement of funds was administered through a prepaid debit card in order to account for the fact that from 2013 to 2017, 9.7% of Stockton residents did not have a bank account. Given this data, direct deposit options were not implemented, nor was the option to provide written checks in order to prevent portions of the income from being used on check-cashing service fees. Still, recipients were afforded the opportunity to transfer all or some of the $500 to their preferred banking institution or an alternative trusted financial service.

A key consideration of SEED was the potential impacts that additional income might have on participant eligibility for other public social services, as well as the impact the income could have on determining benefit amounts for those who retained eligibility.
According to SEED:

> "Where possible, the SEED team pursued waivers that exempted the guaranteed income from being included in benefits eligibility calculations. For example, we secured a waiver for CalWORKs…by working closely with the San Joaquin County Human Services agency. This waiver exempts SEED disbursements from consideration as income for all CalWORKs services, including supportive services [child care, transportation, and counseling/therapy] and family stabilization (intensive case management)…While we were confident that we took every step available to minimize the impact of guaranteed income receipt on other benefits through productive partnerships with local agencies, we also know how to prepare for the unexpected. For that reason, SEED established a Hold Harmless Fund to reimburse recipients for any unanticipated benefits losses."

In March 2021, SEED released its preliminary findings from the first year of the experiment, which included February 2019 through February 2020, and therefore did not include findings related to the COVID-19 pandemic. Key findings of the report include:

- Guaranteed income reduced income volatility, or the month-to-month income fluctuations that households face;

- Unconditional cash enabled recipients to find full-time employment;

- Recipients of guaranteed income were healthier, showing less depression and anxiety and enhanced wellbeing; and,

- The guaranteed income alleviated financial scarcity creating new opportunities for self-determination, choice, goal setting, and risk taking.

Recently, and partially in response to the economic impacts of the COVID-19 pandemic, a number of guaranteed income programs have launched, or are preparing to launch, throughout the state, including, among others:

- *Compton Pledge:* Like SEED, the Compton Pledge distributes cash relief to low-income residents for two years. The program has stated its intent to target individuals who do not use banks or banking institutions, the formerly incarcerated who are denied public social services benefits, and undocumented individuals who often do not receive a minimum wage or do not qualify for other public social services. Additionally, the Compton Pledge intends to secure government waivers to ensure participants have continued access to existing benefits, as well as create a hold harmless fund to support individuals who face an unexpected loss of benefits due to program participation. An estimated 800 Compton residents were expected to receive between $300 and $600 every month beginning in February 2021.

- *Oakland Resilient Families:* On March 23, 2021, Oakland Mayor Libby Schaaf announced plans to implement a guaranteed income program for individuals who are Black, Indigenous, or part of other communities of color. To be eligible for the program, participants must have at least one child under 18, and have an income at or below 50% of the area median income – approximately $59,000 a year for a family of three. Additionally, half the participation slots are reserved for people who earn below 138% of the federal poverty level, or approximately $30,000 a year for a family of three. The program, set to begin in spring of this year, will provide participants with $500 for at least 18 months without conditions. Participants are able, but not required, to participate in periodic surveys and interviews. Currently, methods to prevent participants from experiencing benefit loss or reduction – including pursuit of state waivers, benefits counseling, and hold harmless accounts – are under consideration, though no specific method has been implemented, as the determination of the program's parameters is still underway.

- *Santa Clara County foster youth:* In June 2020, the Santa Clara County Board of Supervisors approved a guaranteed income program for young adults transitioning out of the foster care system, as youth involved in the child welfare services system often face poorer educational, economic, and health outcomes than their non-system involved peers. Specifically, the program provides a $1,000 monthly stipend for one year – beginning in September 2020 until September 2021 – to former foster youth who are between the ages of 21 and 24. Santa Clara County initially allocated $900,000 for the program to assist 72 former foster youth, and later authorized an additional $15,000 to provide prepaid debit cards to facilitate benefit distribution. Currently, there are no limitations or prohibitions on the types of purchases a participant can make, though an in-depth evaluation of the pilot program is planned, and aggregate data, as well as self-disclosure, will be used to determine trends in participant purchases.

In addition to these individual local programs, the May 2021 Revision to the Governor's proposed budget included $35 million over five years to fund UBI pilot programs and help local governments start their own programs.

Need for this bill: The provisions of this bill seek to provide additional supports for the needs of youth in California who have aged out of the CWS system. Specifically, this bill requires CDSS, beginning January 1, 2022, and until December 31, 2025, to administer the CalUBI for TAY pilot project, and deems as eligible for participation California residents who age out of EFC at 21 years of age during the year of 2022, regardless of the age at which the youth entered EFC. Under the CalUBI for TAY program, and pursuant to the provisions of this bill, program participants would receive $1,000 per month for three years.

Additionally, this bill would prohibit, to the extent authorized under federal law, the income provided to youth through the CalUBI for TAY program from being considered income or resources for purposes of determining eligibility to receive benefits, or the amount of those benefits, for: CalWORKs; CalFresh; Transitional Housing Program Plus; CalEITC; Medi-Cal;

and, certain state and federal financial aid and college support programs. Finally, the provisions of this bill would require CDSS to provide an evaluation report to the Legislature after the conclusion of each year of the pilot program that includes certain data related to employment, housing, and other youth outcomes.

According to the author, "Foster youth are more likely to have unfavorable employment outcomes, physical and mental health issues, contact with the criminal justice system, and low rates of secondary and postsecondary educational attainment compared to their non-foster youth peers. The COVID-19 pandemic has only exacerbated the challenges faced by foster youth; according to a statewide survey of current and former transition-age foster youth, over 1 in 5 reported that they have experienced homelessness since the pandemic began, and 68% reported that the pandemic had a direct impact on their employment.

"As soon as foster youth in the EFC program turn 21, they 'age out' of the system, making them ineligible for the monthly benefits they rely on to meet their basic needs. The [CalUBI for TAY] Act provides foster youth aging out of EFC with a lifeline, instead of a financial cliff, during their critical transitional period. Providing direct cash assistance to foster youth not only addresses their financial needs, but also provides a sense of empowerment to foster youth because it recognizes that they are capable of making the financial decisions that they have determined are best for their individual lives. Now more than ever, our foster youth need consistent access to financial resources. [This bill] ensures they are financially equipped to successfully transition out of care and into adulthood during a time of such economic uncertainty."

Staff comments: The overarching goal of this bill is laudable, as direct cash payments provided to individuals through guaranteed income projects have been found to have a significant increase in quality-of-life benefits, such as mental and physical health, education outcomes, and employment, among others. It has also long been acknowledge that youth in the child welfare system face poorer outcomes than their non-system-involved peers, particularly as it relates to education, employment, and health-related outcomes. The provisions of this bill seek to provide financial support to certain eligible youth who age out of EFC at age 21 during the year 2022 by providing eligible youth with $1,000 per month for three years through the CalUBI for TAY program. The provisions of this bill would also prohibit, to the extent authorized under federal law, the income provided through the program from being considered as income or resources for purposes of determining eligibility to receive or benefit amount for certain public social services programs and financial aid, including CalWORKs, CalFresh, and Medi-Cal, among others.

As it is currently written, however, the bill fails to consider California's limitations in disregarding certain income for purposes of benefit eligibility determination, particularly for the CalFresh program, as eligibility criteria is determined at the federal level by the United States Department of Agriculture (USDA). It is therefore unlikely that California would be able to exempt income received through the CalUBI for TAY program when determining CalFresh eligibility and benefit amounts without first receiving permission from the USDA through a waiver. As such, it is likely that receipt of income through participation in the CalUBI for TAY program would impact an individual's ability to qualify for CalFresh; in the event that the additional income does not render an individual ineligible for CalFresh benefits, the additional income would almost certainly affect the individual's benefit amount.

Unlike CalFresh, CalWORKs is administered through the Temporary Assistance to Needy Families (TANF) block grant, and states have significant discretion in structuring eligibility and program rules. As such, it is likely, though not certain, that California could exempt funds received through the CalUBI for TAY program from being considered when determining CalWORKs eligibility and grant amount. Still, in the event that California is unable to disregard UBI when determining CalWORKs eligibility, the additional income would almost certainly affect an individual's benefit amount, even if it the individual remains eligible for CalWORKs.

Further, given the potential impacts of UBI on eligibility for benefits, the provisions of this bill do not require prospective CalUBI for TAY program participants to undergo benefits counseling prior to participation in order to ensure individuals are aware of the potential impact that additional income could have on their eligibility for other public social services and programs. Therefore, ***should this bill move forward, the author may wish to consider whether California has the authority under federal law to exempt certain income from being considered when determining CalFresh and CalWORKs eligibility, as well as whether prospective program participants should receive information about how participation may affect their eligibility for other public social services, such as medical coverage, educational supports, and housing assistance.***

PRIOR AND RELATED LEGISLATION:

SB 100 (Hurtado) of 2021, would have required CDSS to convene a working group to examine the extended foster care program and make recommendations for improvements to the program. SB 100 was held on the Senate Appropriations Committee suspense file.

AB 65 (Lowe) of 2021, would have required the Franchise Tax Board to administer the CalUBI Program, under which a California resident who is 18 years of age or older and who meets specified requirements, as provided, would receive a UBI of $1,000 per month. AB 65 was held on the Assembly Appropriations Committee suspense file.

SB 912 (Beall) of 2020, would have permitted the juvenile court to retain jurisdiction over any ward or dependent child who is eligible to receive support as an NMD for any state of emergency declared by the Governor on or after January 1, 2021 and would have allowed an NMD who turns 21 years of age while a state of emergency is in effect to continue to receive support as an NMD for six months from the date of the declaration, as provided. SB 912 was vetoed by Governor Newsom.

AB 212 (Beall), Chapter 459, Statutes of 2011, made various clarifying and substantive changes to the California Fostering Connections to Success Act, to ensure proper implementation and to comply with various provisions of federal law.

AB 12 (Beall), Chapter 559, Statutes of 2010, created the California Fostering Connections to Success Act, conformed state law to federal requirements to revise and expand programs and funding for certain foster and adopted children.

H.R. 6893 (McDermott), Public Law 110-351, 2008, the federal "Fostering Connections to Success and Increasing Adoptions Act of 2008," revised and expanded programs and funding for certain foster and adopted children.

REGISTERED SUPPORT / OPPOSITION:

Support

Alliance for Children's Rights
Aspiranet
California Coalition for Youth
Children Now
County of Santa Clara
Friends Committee on Legislation of California
Humboldt County Transition Age Youth Collaboration
National Association of Social Workers, California Chapter

Opposition

None on file

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