MARYLAND DEPARTMENT OF HUMAN SERVICES

Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Lourdes R. Padilla, Secretary

December 1, 2017

The Honorable Edward J. Kasemeyer
Chairman, Senate Budget & Taxation Committee
3 West Miller Senate Building
Annapolis, Maryland 21401-1991

The Honorable Maggie McIntosh
Chairman, House Appropriations Committee
131 Lowe House Office Building
Annapolis, Maryland 21401-1991

RE: 2017 Joint Chairmen's Report – Foster Youth Savings Program

Dear Chairman Kasemeyer and Madam Chair McIntosh:

The Department of Human Services (DHS) is required to submit a report to the Joint Chairmen of the Senate Budget and Taxation and the House Appropriations Committees on the Implementation of the Foster Youth Savings Program in accordance with the provisions of the 2017 Joint Chairmen's Report, pages 101-102. In accordance with this reporting requirement, DHS is pleased to provide you with the enclosed report.

As always, if there are any questions or if additional information is needed, please contact Rebecca Jones Gaston, Executive Director for the Social Services Administration at 410-767-7345.

Sincerely,

Lourdes R Padilla

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Secretary

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REPORT ON THE IMPLEMENTATION OF THE FOSTER YOUTH SAVINGS PROGRAM #2

MARYLAND DEPARTMENT OF HUMAN SERVICES

Completed pursuant to the 2017 Joint Chairmen's Report

December 1, 2017

REPORT REQUIREMENT

This report is hereby submitted in response to the following reporting requirement found under the 2017 Joint Chairmen's Report, pages 101-102:

The second report shall be submitted by December 1, 2017, and provide information on the number of youth participating, amount of matched savings provided, implementation challenges, and feasibility of opening a savings account for children receiving Social Security, Supplemental Security Income, and Veterans Administration benefits using the funds received from those benefits including describing the options for the types of accounts to be opened.

Source: 2017 Joint Chairmen's Report, pages 101-102

BACKGROUND

Maryland's Transitional Youth Services support the transition of youth from out-of-home placement to successful adulthood. The Department of Human Services (DHS) defines successful adulthood as *when a youth exits the foster care system with transitional skill to become self-sufficient as age and developmentally appropriate for youth*. The purpose of the Maryland Transitional Youth Services is to ensure youth acquire skills needed to transition out of foster care successfully. The core service components include education, employment, health/mental health, housing, financial literacy/resources and ongoing family/friend support. Guidance outlined in the *Ready by 21 Manual* identifies benchmarks that staff at the Local Departments of Social Services (LDSS) utilizes as a resource tool.

The Foster Youth Savings Program supports existing financial literacy efforts and will assist transitional aged youth ages 14-20 to have access to a pool of resources, a savings account, and an infrastructure for meeting their savings. The Foster Youth Savings Program goal is to help transitioning young adults save for a personal goal as well as future housing, education, and career investments. Furthermore, the accounts are to enable youth develop and build skills around financial capability and independence. The services provided by the Foster Youth Savings Program are part of the foundation for youth achieving successful adulthood.

SSA has set the following goals for the Foster Youth Savings Program:

- Create savings accounts for each eligible foster youth ages 14-20
- Provide financial education programs covering:
    - Decision-Making: youth learn the benefits of saving money, investing, and making smart financial decisions
    - Value: youth learn to analyze and compare the cost and benefits of goods and services

- Banking: youth learn how to use banking services to achieve a long-term financial plan
- Debt and Credit: youth learn how credit works, why it is so important, and how debt can impact life goals; additionally, youth are exposed to concepts such as loan interest and credit rating

- Connect youth to credit and debt counseling to help manage debts
- Support in opening, managing and building credit with a secured credit card

Implementation Strategy

- Starting in January 2018, the Local Department of Social Services will be opening savings accounts for all youth in foster care ages 14 - 20. This will be in parallel with the opening of ABLE accounts.
- Youth who are eligible for a Maryland ABLE account do not qualify for a traditional savings account.

The implementation will also entail:

- Training Independent Living Coordinators (ILC's) on *Keys to Your Financial Future* to enhance the LDSS expertise in providing young people the opportunity to practice the skills they need to wisely earn, spend, and save money.
- Developing policies and procedures to support the implementation of The Foster Youth Savings Program. These policies and procedures ensure that the LDSS are aware and understand the financial needs of foster youth.

NUMBER OF YOUTH PARTICIPATING

Approximately 2,096 youth in foster care will participate in the Foster Youth Savings Program. The ages of the youth are as follows: 1,136 youth ages 14 to 17, and 960 youth ages 18 to 20.

AMOUNT OF MATCH SAVINGS PROVIDED

Each youth establishing a savings account and an ABLE account will receive a contribution of funds to activate their accounts. Youth who are ages 14-17 will receive $350 and youth who are ages 18-20 will receive $800. The older youth in foster care are receiving a higher amount of initial funds as they are closer to exiting foster care and achieving successful adulthood. Youth who are 14 – 17 years old may have a longer opportunity to engage in the match savings program than the youth who are 18-20 years old.

Youth will have the opportunity to access their savings on program specific asset purchases which can be applied to housing, health, education, vehicles, investments, micro enterprise, and credit building. The current program will include various incentives to engage youth in the financial education component by providing stipends for youth who participate and complete financial literacy modules. The goal is to support young people in becoming financially capable and to be sensitive to their developmental needs.

IMPLEMENTATION CHALLENGES

The most significant challenge in developing a Foster Youth Savings Program is the need to create a system that captures the unique needs of foster youth throughout the state of Maryland in a manner which is responsive to the needs and the capacity of the youth.

- Foster youth may struggle with skills to appropriately budget and plan ahead for financial purposes. DHS has to prevent youth from making impulsive financial decisions that are not in their best interest.
- DHS must ensure that youth are not financially exploited.
- LDSS must be properly trained to provide financial education and coaching prior to enrolling youth.
- DHS must ensure that matched funding has desired impact. It will be crucial for DHS to ensure accurate measurement of youths' expenditures.

FEASIBILITY OF SAVINGS ACCOUNTS

Youth that receive social security and/or social security disability income are eligible to open an ABLE savings account. As stated in the background, the Maryland ABLE program is being implemented by Maryland 529 and will be operational at the end of 2017. Youth who are eligible or already have a Maryland ABLE account, do not qualify for a traditional savings account. Youth who are receiving Veterans Administration benefits would be eligible to receive a traditional savings account.