
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 1052 (Valencia) - Digital financial assets

Version: July 3, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: JUD. 13 - 0

Mandate: No

Consultant: Liah Burnley

Bill Summary: AB 1052 establishes a process for digital financial assets to escheat to the state as unclaimed property.

Fiscal Impact: The State Controller's Office reports that this bill would require the following Unclaimed Property Fund resources:

- 2026-27: 5.0 permanent positions and \$717,000
- 2027-28: 8.0 permanent positions and \$1,126,000
- 2028-29: 11.0 permanent positions and \$1,544,000
- 2029-30 and ongoing: 13.0 permanent positions and \$1,813,000

This bill will have an impact on UPD, increasing workload and requiring additional resources due to:

- Holder remit report reconciliation for digital financial assets including cryptocurrency property;
- Digital financial assets management and reconciliation; and,
- Digital financial assets analysis and payment processes.

SCO reports that it is still quantifying any resource needs for the Information Systems Division. Additional consulting resources may be needed once the scope of the project has been determined. There is also the potential of a future increase in claims processing workload if the amount of escheated property received and the corresponding amount of owner claims received due to the inclusion of digital financial assets is substantial. The current volume of unclaimed digital assets for California owners is unknown. All costs associated with implementing this program are generally paid out of the Unclaimed Property Fund. On a monthly basis, all amounts in excess of \$50,000 are transferred from the Unclaimed Property Fund to the General Fund. Of note, since AB 1052 would require holding the digital assets in perpetuity, rather than liquidation as required by securities, there would be no contribution to the general fund from these properties.

Background: The Unclaimed Property Law (UPL) provides for the "escheat" of unclaimed personal property to the state, which is the reversion of property to the state due to the failure of the owner of the property to inherit or claim the property. When property escheats to the state, the state assumes custody of the property in perpetuity, unless and until the owner claims the property. The state's custody has two purposes: by assuming custody of unclaimed property, the state can protect the owner's interests and custody of unclaimed property allows the state to benefit from the use of the unclaimed property until the rightful owner comes along.

The UPL establishes procedures to be followed when property goes unclaimed, generally for a period of three years, and custody reverts to the state. The holder must file an annual report on unclaimed property and turn the property over to the Controller at the time the report is filed. Assuming the Controller does not decline to take custody of the property, the holder then must transfer the property to the Controller within a specified time. The Controller then holds the property or sells it and holds the proceeds in perpetuity, unless and until the rightful owner makes a claim for its return. The Controller retains the interest or other income on property or moneys that accrue after the state takes custody of the property.

A digital financial asset is “a digital representation of value that is used as a medium of exchange, unit of account, or store of value, and that is not legal tender,” with exceptions for affinity and rewards programs, representations of value in video games, and assets regulated by the United States Securities and Exchange Commission. The most common type of digital financial asset is cryptocurrency—Bitcoin, Ethereum, Tether. Cryptocurrency and other digital financial assets have no tangible form, so unlike U.S. dollars—which can be held electronically or physically—they are necessarily bought, sold, held, and traded electronically.

While the UPL establishes procedures for the escheat of a number of forms of intangible property, it does not clearly address digital financial assets.

Proposed Law:

- States that property held within a digital financial asset account escheats to the state three years after either of the following:
 - The date a written or electronic communication to the owner is returned undelivered by the United States Postal Service or by electronic mail or other electronic messaging method, as applicable; or,
 - The date of the last exercise of ownership interest by the owner in the digital financial asset account if the owner does not receive written or electronic communications from the holder or the holder does not have the means of systematically tracking or monitoring the nondelivery of those communications.
- Provides that the running of the three-year period ceases immediately upon the exercise of an act of ownership interest in the digital financial asset account or written, oral, or electronic communication with the holder as evidenced by a memorandum or other record on file with the holder or its agents.
- States that “exercise of an act of ownership interest” includes any of the following actions by the owner regarding the digital financial asset account:
 - Conducting a transaction regarding the digital financial asset account, including buying or selling digital financial assets, depositing into or withdrawing from the account fiat currency or other property whether by a one-time transaction or a recurring transaction previously authorized by the owner;

- Electronically accessing the digital financial asset account;
 - Conducting any activity with respect to another digital financial asset account or any other property owned by the owner with the same holder; or,
 - Taking any other action that reasonably demonstrates to the holder that the owner knows that the property exists.
- Provides that, if the digital financial asset account that escheats to the state contains digital financial assets and the holder has full control of the necessary private keys required to transfer those digital financial assets, the holder shall report and deliver the digital financial assets in their native form to the Controller, and such placement with the Controller constitutes delivery. The holder shall provide the Controller with proof of delivery upon request.
 - States that, in the event the holder possesses only a partial private key to the digital financial asset or is otherwise unable to move the digital financial asset to the Controller, the holder shall maintain the digital financial asset until the additional keys required to transfer the digital financial asset become available or the holder is otherwise able to transfer the digital financial asset to the Controller.
 - Authorizes the Controller, in its discretion, to select one or more custodians for the management and safekeeping of digital financial assets that have escheated to the state. An entity selected to serve as a custodian shall hold a valid license issued by the Department of Financial Protection and Innovation. If the Controller selects a custodian, the Controller shall consider the following criteria in making the selection:
 - Secure storage to ensure the safekeeping of digital financial assets, including robust cybersecurity measures to prevent unauthorized access;
 - Capability to manage private keys associated with digital financial assets and ensure the ability to transfer or transact with the assets when required;
 - Proven experience in handling digital financial assets;
 - Compliance with all applicable federal and state regulations related to digital financial asset custody;
 - Regular reporting mechanisms to the Controller regarding the status and value of the digital financial assets in their custody;
 - Processes to reunite owners with their digital financial assets, including maintaining updated contact records and issuing timely notifications;
 - Qualifying as a “financial institution” under Chapter X of Title 31 of the Code of Federal Regulations, which subjects the custodian to the anti-money laundering obligations of the federal Bank Secrecy Act, in addition to any state-imposed anti-money laundering obligations; and,

- Other factors the Controller deems relevant.

Related Legislation: SB 822 (Becker) provides that the procedure by which digital financial assets escheat to the state is the general procedure set forth in the UPL. SB 822 is pending in the Assembly Appropriations Committee.

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