
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 1180 (Valencia) - Department of Financial Protection and Innovation: state payments

Version: July 7, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: B. & F.I. 7 - 0, JUD. 13 - 0

Mandate: No

Consultant: Janelle Miyashiro

Bill Summary: AB 1180 requires the Department of Financial Protection and Innovation (DFPI) to adopt regulations to allow a payment for license or other fees required under the Digital Financial Assets Law (DFAL) to be made with a stablecoin, as specified. AB 1180 also requires the Treasurer and the Controller to submit a report to the Legislature on recommendations for payments under other laws and to other state governmental agencies using stablecoins.

Fiscal Impact:

- DFPI reports costs of approximately \$1 million in the first year and \$965,000 annually ongoing (Financial Protection Fund). Costs include workload to promulgate regulations to allow the alternative payment option proposed in this bill, to develop the report, and for contract costs with a vendor to enable DFPI to accept, hold, and transfer stablecoin.

It is unknown if or to what extent there may be transaction fees associated with transferring various stablecoins or exchanging stablecoins for fiat currency. It is unclear if these costs would be passed onto licensees through increased fees; however, to the extent these costs are not passed onto licensees then there will be ongoing cost pressures to DFPI. It is unknown how many DFAL licensees may opt to pay fees with a stablecoin.

Staff notes DFPI is a special fund agency whose activities are funded by regulatory and license fees and generally the department does not receive support from the General Fund. To the extent costs to stand up and maintain a new payment option for DFAL licensees is not absorbable within existing resources, there may be new cost pressures that impact DFPI's operating costs, future budget requests, or license fees.

- Unknown, potentially significant costs to the State Controller's Office (SCO) and the State Treasurer's Office (STO) to develop the report, either through the development of internal expertise or through contract with a third-party consultant.

Background: The DFAL is a licensure program for digital financial asset companies currently under development by the DFPI. DFAL is intended to protect consumers by regulating the business activity of companies that offer to exchange, store, or transfer digital assets on behalf of California residents. DFAL was enacted in direct response to high-profile frauds, scams, and failures of crypto companies that resulted in billions of dollars of losses to consumers.

Proposed Law:

- Requires DFPI, in consultation with the Treasurer and Controller, to adopt regulations to allow a payment required under the DFAL to be made with a stablecoin issued by a digital financial assets licensee and that may be redeemed directly from the issuer.
 - Requires the regulations only allow payments made by an applicant or licensee to DFPI.
 - Prohibits the regulations to allow payments related to any enforcement measures taken under the DFAL or if the payment made with a stablecoin would interfere or conflict with the duties of the Controller, Treasurer or other provisions in current law relating to state funds.
- By January 1, 2029, requires DFPI to submit a report to the Legislature on the number and value of stablecoin transactions processed and any technical and regulatory challenges encountered.
- By January 1, 2028, requires the Treasurer and the Controller, in consultation with DFPI, to submit a report to the Legislature on recommendations for payments under other laws and to other state governmental agencies using stablecoins.
- Provides the cost to DFPI to promulgate regulations and submit the report be recovered on a pro rata basis by licensees and license applicants under the DFAL.
- Makes the provisions of the bill operative on July 1, 2027, and sunsets these requirements on January 1, 2032.

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