

CONCURRENCE IN SENATE AMENDMENTS

AB 2028 (Chen)

As Amended August 20, 2026

Majority vote

SUMMARY

This bill requires the Department of Financial Protection and Innovation (DFPI) to provide the pro rata amount calculation used to determine the amount due and payable by a deferred deposit licensee in itemized program totals.

Senate Amendments

Technical amendments to address potential conflict with another bill amending the same section of code.

COMMENTS*1) Background*

The DFPI is California's primary regulator for financial services, products, and professionals. The Department was formed by expanding the then existing Department of Business Oversight in 2020. The DFPI expanded its programmatic responsibilities due to the following legislative mandates:

- 1) California Consumer Financial Protection Law, 2021 (CCFPL), Chapter 157, Statutes of 2020 (AB 1864); effective January 1, 2021, gives the DFPI new regulatory responsibilities to protect consumers from unfair, deceptive, or abusive practices committed by previously unlicensed regulated entities. These may include industries that currently exist unregulated in California or new products or services that may enter the market in the future.
- 2) Debt Collectors Licensing Act, 2022, Chapter 163, Statutes of 2020 (SB 908); effective January 1, 2022, gives the DFPI new regulatory responsibilities to provide licensure, regulation, and oversight of California debt collection practices.
- 3) Digital Financial Assets Law, 2023 Chapters 792 and 871, Statutes of 2023 (AB 39 and SB 401); effective July 1, 2025, gives the DFPI new regulatory responsibilities to provide licensure, regulation, and oversight of digital asset activities in California.

The convergence of these additional programmatic mandates and historical stagnancy in fee and assessment rates significantly strained the Department's fiscal solvency. In an effort to ensure long-term fiscal sustainability, the DFPI engaged an external consultant for a comprehensive fiscal and cost allocation plan analysis; subsequently, the Crow study was produced.

According to the Crowe study, DFPI's FY 2024-25 total budget is covered by the following sources:

- 1) Financial Protection Fund covers approximately \$159.4 million (89.5%) of the DFPI's total budget and supports the Investment, Lender-Fiduciary, Licensing and Supervision of Banks and Trust Companies, Money Transmitters, California Consumer Financial Protection, Debt Collectors, and Digital Financial Assets Programs.

- 2) Credit Union Fund covers approximately \$14.5 million (8.1%) of the DFPI's total budget and supports the Credit Unions Program.
- 3) Financial Empowerment Fund covers approximately \$2.3 million (1.3%) of the DFPI's total budget and supports the CalMoney Smart Program.
- 4) Local Agency Deposit Security Fund covers approximately \$0.6 million (0.4%) of the DFPI's total budget and supports the Administration of Local Agency Security Program.
- 5) Reimbursements covers approximately \$1.3 million (0.7%) of the DFPI's total budget and provides limited support for the Licensing and Supervision of Banks and Trust Companies and Credit Unions Programs.¹

2) *Results and Recommendations from the Independent Financial Review of the DFPI*

The findings with regard to established programs from the Crowe study are: "The DFPI requires an additional \$80.4 million through FY 2027-28 to support its programmatic needs for the Investment, Lender-Fiduciary, Banking, and Money Transmitters Programs. With regard to the deferred deposit transactions program, the study recommended the following:

The *Deferred Deposit Transaction* subprogram required \$3.1 million in additional revenue through FY 2027-28. The Deferred Deposit Transaction (DDT) subprogram's needs could be met by increasing its fees by 68%. The proposed fee adjustment would generate an additional \$3.0 million in assessments, and minimal amounts in application fees and fingerprint fees. In addition, the 50% increase to the Deferred Deposit Transaction exam fee to \$120 per hour beginning in FY 2024-25 would generate an additional \$63 thousand through FY 2027-28. The study also recommended that the Department may want to consider delaying assessment changes until pending legislation (AB 3148) is finalized.²

3) *AB 3148 (2024)*

In 2024, a coalition deferred deposit transaction licensees sponsored AB 3148, a bill to change pro rata assessment calculation methods from number of locations to total dollar amount. The coalition described the issue as:

"Current law requires fees for California Deferred Deposit Transaction (CDDTL) licensees to be paid based on the number of locations the licensee has in the state of California. While CDDTL transactions have decreased overall, the number of brick-and-mortar locations for CDDTL transactions has significantly declined over the last several years, while online transactions have continued to grow over the same period.

At the same time, DFPI costs to administer the CDDTL program have continued to rise. The current fee structure has led to an increase in fees for licensees with brick-and-mortar locations, regardless of the volume of business conducted at each of these locations, as compared to the number of transactions conducted online.

¹ Crowe (2024, November 18) "Fiscal and Cost Allocation Plan Analysis" pp.8

² *Id.* at 33

AB 3148 addresses the issue described above by requiring DFPI to assess fees to CDDTL licensees based on the volume of business conducted by the licensee in the state versus the number of locations the licensee may have. Doing so accomplishes several purposes:

- 1) Ensures licensees with brick-and-mortar locations are paying fees commensurate with their volume of business and not subsidizing online transaction providers with few or no locations in the state, but with large transaction volumes.
- 2) Aligns CDDTL fees paid to DFPI with DFPI workload associated with each licensee.
- 3) Aligns the CDDTL licensing fee structure with other DFPI licensing programs."

However, the change to assessments based on total dollar amount of transactions from the number of store locations appears to have significantly changed the dollar amount of the assessments. Deferred deposit licensees describe the current issue:

"In 2024, DFPI released a report establishing that several of the department's programs have been operating with a structural deficit. This report only determined the size of their existing deficits and did not explore whether the department's costs were reasonable. As a result of this report, the department increased the DDT program's hourly examination fees, a separate fee from the annual assessment, by 50% to cover existing deficits.

Last year, each licensee was unexpectedly faced with an annual assessment that was much higher than anticipated. Not only did DFPI neglect to provide licensees with any warning before issuing invoices, but the department also refused to provide an explanation afterwards. Licensees were left unable to determine whether higher costs stemmed from increased program expenses, deficit recovery, or other factors. This lack of transparency makes it difficult for the industry to budget and plan for future operations, a key component of running a business.

These assessment increases occurred while the DDT industry has been shrinking for years due to competition from unregulated offshore lenders. This year, total assessments collected by DFPI were higher than they were a decade ago despite total loan volume in 2024 being 60% lower than in 2015. In concert with fewer licensees and fewer locations over the same time frame, this has tripled the per-location cost burden. It is unreasonable for a regulator to continue raising fees on a shrinking industry without any transparency as to its motivations or the necessity to do so."

There is no evidence of assessment increases based on the Crowe study, however, if such increases were made, it would be within the purview of the Commissioner to do so under existing law.

4) *What this bill does*

This bill requires the Department to provide each licensee information needed to determine accuracy of their assessment.

- a. The total costs and expenses reasonably incurred in the administration of this division, as estimated by the commissioner, for the ensuing year.
- b. Any deficit actually incurred or anticipated in the administration of the program in the year in which the assessment is made.

- c. The aggregate total dollar amount of deferred deposit transactions made by all licensees.
- d. The licensee's total dollar amount of deferred deposit transactions.
- e. The number of license locations operated by the licensee.

However, if the goal is to determine if there is a mistake in a licensee's assessment, the author may wish to consider amending item d) to "The licensee's total dollar amount of deferred deposit transactions as used to determine the pro rata amount due from the licensee." Identifying the figure used by the Department may help identify misalignment if the total amount actually used by the Department is different than the total amount the licensee thought would be used.

5) *Senate Amendments*

No substantive amendments were made. Only double jointing language was added to as a technical safeguard to manage signing order issues and preserve the language of the bill.

According to the Author

This measure requires the California Department of Financial Protection and Innovation to provide a clear explanation of how a Deferred Deposit Transaction licensee's annual fee assessment is calculated when issuing an invoice. The goal is to improve transparency and allow licensees to better understand and anticipate their regulatory costs.

Arguments in Support

"AB 2028 improves transparency by requiring DFPI to include the calculation used to determine each licensee's assessment directly on the invoice. This basic disclosure is already provided to other DFPI-regulated programs. Providing this information to the regulated community would allow licensees to clearly understand how their fees are determined and anticipate operating costs in coming years.

This measure does not require DFPI to perform any new analysis or develop new systems. The department already calculates these figures to set assessments and provides similar disclosures in other programs. AB 2028 simply requires DFPI to share the information it already uses, bringing transparency and predictability to the DDT assessment process." *California Financial Service Providers*

Arguments in Opposition

None received. Last certified 8/27/2026

FISCAL COMMENTS

Minor and absorbable costs to DFPI to update invoice and assessment notices with pro rata calculation information.

VOTES:

ASM BANKING AND FINANCE: 9-0-0

YES: Valencia, Chen, Dixon, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Schiavo, Harabedian

ASM APPROPRIATIONS: 14-0-1

YES: Wicks, Hoover, Aguiar-Curry, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

ABS, ABST OR NV: Arambula

ASSEMBLY FLOOR: 77-0-3

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

ABS, ABST OR NV: Arambula, Flora, Celeste Rodriguez

SENATE FLOOR: 39-0-1

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Alvarado-Gil

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