

Date of Hearing: March 24, 2026

ASSEMBLY COMMITTEE ON JUDICIARY

Ash Kalra, Chair

AB 2335 (Valencia) – As Introduced February 19, 2026

PROPOSED CONSENT (As Proposed to be Amended)

SUBJECT: UNCLAIMED PROPERTY: DIGITAL FINANCIAL ASSETS

KEY ISSUE: SHOULD THE LEGISLATURE ESTABLISH THE DIGITAL ASSET RESERVE FUND, REQUIRE THE CONTROLLER TO DEPOSIT DIGITAL FINANCIAL ASSETS THAT HAVE ESCHEATED TO THE STATE INTO THE RESERVE FUND, AND REQUIRE THE CONTROLLER TO CONVERT DIGITAL FINANCIAL ASSETS INTO HIGH-QUALITY DIGITAL FINANCIAL ASSETS AFTER A STATUTORY WAITING PERIOD HAS LAPSED?

SYNOPSIS

The Unclaimed Property Law (UPL) outlines procedures by which the state assumes control over Californians' unclaimed property. Part of the goal of the UPL is to provide the state a way to use unclaimed property for the benefit of the state, namely to use the value of the state's unclaimed property to bolster the General Fund. Last year, SB 822 (Becker) Chap. 660, Stats. 2025, modified the UPL to incorporate digital financial assets. Among its provisions, it authorized the Controller to convert escheated digital financial assets into fiat currency. Recognizing the immense variation in value among different forms of digital financial assets, this bill proposes to require the Controller to convert escheated digital financial assets into "high-value" digital assets, potentially giving the state a much more significant financial opportunity. As currently in print the bill inadvertently removes the ability of an owner of the property to make a claim and recover the digital financial asset, or its equivalent value, from the Controller. The author is proposing amendments to rectify this drafting error and re-incorporate that authority in the context of the conversion of the digital asset into a high-value digital asset, rather than dollars. These changes are incorporated into the SUMMARY and discussed in the COMMENTS section of this analysis.

This bill is sponsored by Satoshi Action Fund. There is no additional support and no registered opposition. Should this bill be approved by this Committee it will be referred to the Assembly Committee on Banking & Finance.

SUMMARY: Establishes the Digital Asset Reserve Fund managed by the State Controller and directs the Controller to deposit digital financial assets that have escheated to the state in the Reserve Fund. Specifically, **this bill:**

- 1) Establishes the intent of the Legislature to clarify that digital financial assets are intangible property that are subject to the Unclaimed Property Law.
- 2) Defines "Digital Asset Reserve Fund" as a fund consisting of digital financial assets escheated to the Controller as specified.

- 3) Defines “High-quality digital asset” as a digital financial asset with an average market capitalization of at least one hundred billion dollars (\$1000,000,000,000) over the most recent 12-month period.
- 4) Requires that notice regarding any digital financial asset held or owing by a business association that has escheated to the state to specify that digital financial assets will be immediately put into the Digital Asset Reserve Fund until the rightful owner is identified and that the assets will be converted into high-quality assets after the 18-month holding period.
- 5) Requires that digital financial assets held by the Controller be deposited into the Digital Asset Reserve Fund, which is controlled by the Controller.
 - a) Requires the Controller to convert the digital financial assets in their native form to high-quality digital assets no sooner than 18 months, but no later than 20 months, after the actual date of filing of the report required by Section 1530.
 - b) Entitles a person making a valid claim before the Controller converts the digital financial asset to high-quality digital asset to receive the digital financial asset in its native form. Requires the Controller to revert a digital financial asset that has been converted into a high-quality asset to its native form equivalent to the amount escheated or to convert the digital financial asset to fiat currency at the prevailing price at the time a claim is determined to be valid. Entitles a person who indicates that they want their digital financial asset in fiat currency to receive the net proceeds received by the Controller from its sale.
- 6) Authorizes the Legislature, through subsequent legislation, to direct the Controller to deposit 10 percent of the digital assets held in the Digital Asset Reserve Fund into the General Fund.
- 7) Authorizes the Controller to spend digital financial assets in the Digital Asset Reserve Fund or sell digital financial assets and spend the net proceeds from the sale to pay reasonable costs associated with administering and managing the Digital Asset Reserve Fund.
- 8) Requires the Controller to publish a quarterly report on its internet website that includes:
 - a) The amount of each digital financial asset held in the Digital Financial Asset Reserve Fund;
 - b) An estimate of the monetary value of each digital financial asset in the Digital Asset Reserve Fund;
 - c) Any change in the amount and estimated monetary value of digital financial assets in the Digital Asset Reserve Fund.
- 9) Permits the Controller to hire or engage the services of an investment analyst to assist in such investment decisions.
- 10) Establishes the Digital Asset Reserve Fund Board which is required to do all of the following:
 - a) Create guidelines for valuing assets in the Digital Asset Reserve Fund;

- b) Establish prudent investment policies relating to the investment objectives of and asset allocation in the Digital Asset Reserve Fund;
- 11) Establishes the following makeup of the Digital Asset Reserve Fund Board:
- a) The Controller;
 - b) The State Treasurer;
 - c) The Director of the Department of Finance;
 - d) One member appointed by the Speaker of the Assembly;
 - e) One member appointed by the Senate Committee on Rules;
 - f) Two members appointed by the Governor;
- 12) Requires all appointed members of the governing board to have expertise in digital financial asset investments, and requires them to serve without compensation but be reimbursed for actual and necessary expenses incurred through service on the board.
- 13) Subjects the members of the Digital Asset Reserve Board to the Political Reform Act of 1976.
- 14) Assigns the members appointed by the Senate Committee on Rules, the Speaker of the Assembly, and the two members appointed by the Governor to three-year staggered terms. Grants the initial appointees of the Senate Committee on Rules and the Speaker of the Assembly two-year terms.
- 15) Requires any vacancy occurring during an unexpired term to be filled by appointment for the unexpired term.

EXISTING LAW:

- 1) Establishes the Unclaimed Property Law (UPL), which establishes when and how intangible property escheats to the state for the state to take custody of, but not own, unclaimed property. (Code of Civil Procedure Section 1500 *et seq.* All further statutory references are to the Code of Civil Procedure, unless otherwise specified.)
- 2) Provides that property received by the state pursuant to the UPL shall not permanently escheat to the state, and that it is the intent of the Legislature that property owners be reunited with their property. (Section 1501.5.)
- 3) Provides the procedure by which any digital financial asset held or owing by a business association escheats to the state if unclaimed by the owner for more than three years from either: 1) the date a written electronic communication to the owner is returned undelivered or by electronic mail, or 2) the date of the last exercise of an act of ownership interest by the owner in the digital 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. (Code of Civil Procedure Section 1516.5.)

- 4) Provides that all tangible personal property and all intangible personal property, except as otherwise specified, that is held or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than three years after it became payable or distributable escheats to the state.
 - a) Except where a statute establishes a different notice requirement for specific types of property, notice must be given as provided when the property is valued at \$50 or more. The holder shall make reasonable efforts to notify the owner by mail or, if the owner has consented to electronic delivery, electronically; the notice shall be mailed not fewer than 6 and not more than 12 months before the time when the property becomes reportable to the Controller as unclaimed.
 - b) The notice must be accompanied by a form which the owner can return to the holder to indicate that they are active; if the owner signs and returns the form, the escheat period recommences.
 - c) A holder can provide a telephone number or electronic means for the owner to contact them in lieu of the form. (Section 1520.)
- 5) Requires every person holding funds or other property escheated to the state to file a report with the Controller as specified. (Section 1530.)
- 6) Requires every person filing a report of unclaimed property that will escheat to the state to, no sooner than seven months and no later than seven months and 15 days after the final date for filing the report, pay or deliver to the Controller all escheated property specified in the report. (Section 1532 (a).)
- 7) Requires the holder of any digital financial asset that escheats to the state, no more than 30 days after the final date for filing a report of unclaimed property, to transfer the exact digital financial asset type, private keys, and amount, unliquidated, to the Controller's cryptocurrency custodian or as the Controller by regulation may designate. (Section 1532 (e).)
- 8) Authorizes the Controller to convert digital financial assets in its possession to fiat currency at prevailing prices by any method that the Controller may determine to be advisable. Requires the Controller to convert such digital financial assets no sooner than 19 months, but no later than 20 months, after the actual date of filing the report required by the holder of the person holding escheated property. (Section 1563 (c).)
- 9) Entitles a person making a valid claim for digital assets that have been delivered to the Controller and that remain in the custody of the Controller to receive the digital financial assets from the Controller. Entitles a person making a valid claim to receive the net proceeds received by the Controller from its sale if the digital financial assets have been converted. (Section 163 (c).)

FISCAL EFFECT: As currently in print this bill is keyed fiscal.

COMMENTS: California's Unclaimed Property Law (UPL) governs the process by which unclaimed personal property escheats (or transfers) to the state. The goal of the law is to both reunite owners with their property and, pending such reunion, allow the state to utilize the

property for the public benefit. Under the UPL, the state assumes possession and holds the property in perpetuity as a trustee for the rightful owner. (*Harris v. Westly* (2004) 116 Cal.App.4th 214, 219 (internal quotations omitted), *Bank of America v. Cory* (1985) 164 Cal.App.3d 66, 75.)

The UPL involves three distinct actors: the owner, or the person/entity with the rightful claim to the property; the holder, who is typically the business or financial institution who is in possession of the property that becomes abandoned; and the state controller who assumes custody of the unclaimed property from the holder and then administers claims, and manages the unclaimed property fund. The holder acts as a fiduciary and must report and remit property to the state when it is presumed abandoned. (Code of Civil Procedure Sections 1530-32.) Once in the controller's custody, the property is either retained (in the case of tangible property) or liquidated and deposited in the Unclaimed Property Fund.

The UPL applies to a wide range of intangible personal property, including bank accounts, uncashed checks, wages, stocks, and insurance proceeds. Property is presumed abandoned if it remains unclaimed by its owner for a statutory dormancy period. Once the controller takes custody of the property it may earn income or interest from the property, which is deposited into the General Fund, while the principal remains subject to claim by the owner indefinitely. (Sections 1540, 1570.)

Last year SB 822 (Becker) Chap. 660, Stats. 2025, modified the UPL to incorporate digital financial assets (more commonly referred to as cryptocurrency). Pursuant to SB 822, digital financial assets escheat to the state after a three-year dormancy period – the same conditions and dormancy periods that apply to other forms of intangible personal property. Of particular relevance to the current measure, SB 822 required the Controller to hold escheated digital financial assets for at least 18 months, but no more than 20 months, at which point the Controller was authorized to convert the digital financial assets into fiat currency.

Here rises the impetus for the current measure. One of the unique features of digital financial assets is the incredibly wide range in value and volatile nature of value a single type of currency may have. Bitcoin, one of the most well-known cryptocurrencies, is also one of the most stable (although much more volatile than other traditional types of financial assets). Other types of cryptocurrency, such as Dogecoin, tend to be a significantly more volatile type of cryptocurrency. The volatility of cryptocurrency generally would tend to undermine one of the core tenets of the UPL – to allow the state to utilize unclaimed property to earn interest to bolster the state's General Fund.

Acknowledging the potential boon for the state presented by more stable forms of cryptocurrency, as currently in print *this bill* would *require* the Controller, upon receiving the digital financial assets, to convert the assets into “*high-quality*” *digital assets* and deposit them into the “Digital Asset Reserve Fund.” This deviates from existing law in two ways – first, currently the Controller is permitted, but not required, to convert the asset. Second, existing law only authorizes conversion into fiat currency (or dollars).

The bill defines “high-quality digital asset” as a digital asset with an average market capitalization of at least one hundred billion dollars over the more recent 12-month period. This definition captures the more high-value cryptocurrencies that are more likely to provide a reliable return to the state. Given the ever-evolving nature of cryptocurrencies, Committee staff is not equipped to determine whether conversion to fiat currency or “high-quality digital assets”

is more financially advantageous for the state and cedes that discussion to the Controller's office. Nevertheless it seems reasonable to assume that requiring conversion of *all* forms of cryptocurrencies to those captured under the definition of "high-quality digital asset" could very well result in positive returns for the state.

The bill also authorizes the Controller to spend the digital financial assets in the Digital Asset Reserve Fund or sell them and spend the net proceeds from those sales to pay the reasonable costs associated with administering and managing the Fund. The bill requires the Controller to publish a quarterly report regarding the status of the assets in the Reserve Fund. The bill makes conforming changes to the notice businesses that hold abandoned digital financial assets are required to provide to the asset's apparent owner.

Interestingly, the bill authorizes the Legislature, "through subsequent legislation" to direct the Controller to deposit 10 percent of the assets in the Reserve Fund into the General Fund. The Legislature does not require authorization to pass this type of legislation in the future, and this author is free to include such a provision in this current measure or introduce a bill doing the same in the future. Absent additional clarity as to the purpose of this provision, *the author may wish to consider removing this seemingly unnecessary language.*

Finally, the bill establishes the Digital Asset Reserve Fund Board and sets out the Board's tasks as well as its makeup.

Author's amendments. In addition to establishing an 18 – 20 month waiting period before allowing the Controller to convert digital financial assets into dollars, SB 822 also codified the rightful owner's authority to reclaim either the digital financial asset itself or the value of the asset at any time, consistent with existing law. As with every form of unclaimed property, a rightful owner has the authority to reclaim their property at any time. In error, AB 2335 struck this authority. The author proposes amendments to reinstate the rightful owner's authority to claim their property, modified slightly to reflect the current bill's language. The new language would once again require the Controller to hold the escheated asset in its native form for at least 18 months, not to exceed 20 months. Existing law allows a person making a valid claim to retrieve either the digital financial asset from the Controller, or, if the asset has been converted to fiat currency, the net proceeds from the sale. Reflecting the bill's modifications to existing statute to require conversion to high-quality assets, the author proposes to amend this provision to entitle a person to receive the asset in the following ways:

- If the asset has not yet been converted, then the asset in its native form;
- If the asset has been converted, then the Controller must revert the asset to its native form, equivalent to the amount escheated or convert the high-value asset to fiat currency at the prevailing price at the time a claim is determined valid;
- If the person requests the value of their asset in fiat currency, then the net proceeds received by the Controller from its sale.

The bill would read as follows:

(c) (1) Digital financial assets held by the Controller shall be deposited into the Digital Asset Reserve Fund, which is controlled by the Controller. The Controller shall convert digital financial assets in their native form to high-quality digital assets no sooner than 18

months, but no later than 20 months, after the actual date of filing of the report required by Section 1530. If a person making a valid claim does so before the Controller converts the digital financial asset to high-quality digital assets, the person shall be entitled to receive the digital financial assets in their native form. If the digital financial assets have been converted into high-quality assets, the Controller shall revert the digital financial asset to its native form equivalent to the amount escheated or convert the digital financial asset to fiat currency at prevailing prices at the time a claim is determined valid. If the person indicates that they want their digital financial assets in fiat currency, the person shall be entitled to receive the net proceeds received by the Controller from its sale.

The author also proposes the following conforming amendment regarding the notice a holder is required to provide an apparent owner when property in the holder's possession may escheat to the state:

(E) Specify that digital financial assets will be immediately put into the Digital Asset Reserve Fund until the rightful owner is identified, *and that the assets shall be converted into high-quality assets after the 18-month holding period.*

ARGUMENTS IN SUPPORT: This bill is sponsored by Satoshi Action fund. In support of their measure they submit:

Currently, California manages public funds through traditional investment mechanisms that prioritize diversification and liquidity but limit exposure to emerging financial assets. Meanwhile, other states have begun exploring digital asset strategies, authorizing investments in high-market-capitalization digital assets or managing cryptocurrency through unclaimed property programs. These efforts demonstrate that digital assets are increasingly being considered as part of broader public finance strategies.

AB 2335 provides California with a responsible framework to explore this opportunity. By utilizing escheated digital assets through the unclaimed property program, the bill creates a Digital Asset Reserve Fund overseen by fiscal officers and financial experts to ensure prudent management. This approach allows the state to responsibly evaluate digital asset investments while protecting taxpayer funds and potentially increasing long-term returns.

[...]

AB 2335 reflects the kind of forward-looking, fiscally prudent approach we champion: one that enables California to capture value from digital assets already in state custody while maintaining robust safeguards and professional oversight.

REGISTERED SUPPORT / OPPOSITION:

Support

Satoshi Action fund (sponsor)

Opposition

None on file

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