

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2335 (Valencia) – As Amended April 22, 2026

Policy Committee:	Judiciary	Vote:	12 - 0
	Banking and Finance		9 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill creates the Digital Asset Reserve Fund (DARF) for the deposit of digital financial assets (DFAs) escheated to the state under the Unclaimed Property Law (UPL) and requires the State Controller (SCO) convert those DFAs into high-quality digital assets.

Specifically, this bill:

- 1) Creates the DARF where the SCO must deposit DFAs escheated to the state, requires the SCO to convert those DFAs into high-quality digital assets between 18 months and 20 months after the filing date, and authorizes the SCO to engage qualified staking services providers to stake DFAs in the DARF.
- 2) Requires an existing notice a business association must send the apparent owner of a DFA prior to transferring the unclaimed property to the state to additionally inform the apparent owner that DFAs (a) will be put into the DARF and converted into high-quality digital assets after the 18-month holding period and (b) may be staked through a qualified staking service provider to generate network participation rewards and the return of assets may require completion of an unstaking process.
- 3) Entitles an owner who makes a valid claim before the conversion occurs to receive their DFAs in native form or fiat currency and requires, if the claim is made after conversion, the SCO to revert the DFAs to their native form or convert the DFAs to fiat currency at the prevailing market price.
- 4) Authorizes the Legislature to direct the SCO to deposit 10% of the DFAs held in the DARF into the General Fund (GF), authorizes the SCO to spend or sell DFAs in the DARF to pay for the reasonable costs to administer and manage the DARF, and authorizes the SCO to engage an investment analyst to assist in investment decisions.
- 5) Requires the SCO to use staking rewards to purchase high-quality digital assets for the DARF, requires the DARF to bear any loss resulting from a slashing event or other protocol-level penalty incurred during the staking of DFAs in the DARF, and requires the SCO to follow a certain process if it receives a valid claim for escheated DFAs that are staked.
- 6) Requires the SCO to publish a quarterly report on its website with certain DARF performance metrics, such as the change in the estimated monetary value of DFAs in the DARF and the amount of staking rewards earned during the reporting period.

- 7) Creates the seven-member Digital Asset Reserve Fund Board (DARF Board), which must include the SCO, State Treasurer, Department of Finance director, and other appointees, as a governing board to create guidelines for valuing assets in the DARF and establish prudent investment policies, including risk management policies for staking.

FISCAL EFFECT:

- 1) Costs of approximately \$678,000 annually to the SCO for three additional positions to support information security needs related to DFA conversion and staking and the work of the DARF Board (Unclaimed Property Fund (UPF)). Additionally, ongoing costs of approximately \$250,000 to \$750,000 to the SCO to contract with a firm to trade DFAs on the SCO's behalf (UPF). The SCO notes that it is currently requesting \$4.2 million and 18 positions in the 2026-27 state budget to implement SB 822 (Becker), Chapter 660, Statutes of 2025, which included DFAs in the UPL program, and those resources would still be needed before consideration of the additional workload envisioned by this bill.
- 2) By keeping DFAs in the DARF, instead of the GF, this bill would result in GF revenue loss. To the extent the SCO earns staking rewards to purchase additional high-quality digital assets, this bill may result in DARF revenue gain, which may eventually be transferred to the GF. However, staking could also result in DARF revenue loss, which would decrease the amount of revenue available for GF transfer.

The Legislative Analyst's Office recently warned of GF structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

COMMENTS:

- 1) **Purpose.** According to the author:

California faces a chronic multibillion-dollar deficit amid ongoing federal funding reductions and cuts. Without new revenue mechanisms, the state will continue relying on the same fiscal tools that have failed to keep pace with growing demand for public services. AB 2335 would establish the Digital Asset Reserve Fund to supplement the state's General Fund by capitalizing on growth in the digital asset market. The bill uses California's unclaimed property program to implement a cost-neutral investment mechanism, focusing on high-quality digital assets with demonstrated long-term stability.

- 2) **Background. UPL.** Under the UPL, the SCO is responsible for safeguarding lost and forgotten property turned over to the state (such as bank accounts, uncashed checks, insurance benefits, wages, stocks, bonds, and safe deposit box contents) until claimed by the rightful owner. A possible owner may search an online database of properties and, if the person believes they own the listed property, submit a claim for review. The SCO reviews filed claims and supporting documentation of ownership to determine if someone is the actual property owner.

DFAs as Unclaimed Property. A DFA, also referred to as "cryptocurrency" or "crypto," is a digital representation of value that is not issued or backed by a government or central bank.

Unlike the dollar, a DFA is not considered legal tender, but private parties may agree to use a DFA to facilitate an economic exchange.

SB 822 (Becker) included DFAs in the UPL program and prescribes the processes for transferring escheated DFAs from the holder to the SCO and returning DFAs to the owner. Notably, SB 822 authorizes the SCO to convert DFAs into fiat currency after holding the DFAs for at least 18 months. This bill instead requires the SCO to convert DFAs into “high-quality digital assets,” defined as a DFA with an average market capitalization of at least \$100 billion over the most recent 12-month period, which are more likely to provide a reliable return to the state. Otherwise, as noted in the Assembly Judiciary Committee’s analysis of this bill, “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 GF.” This bill also establishes the DARF Board to create guidelines for valuing assets in the DARF and set prudent investment policies, including risk management policies for staking.

Impact on the GF. As described by the Legislative Analyst’s Office in a March 15, 2019, budget publication about the UPL:

the value of property remitted to the state always exceeds the value of property reunited with owners. The difference provides a monetary benefit to the state, which first is deposited into the Unclaimed Property Fund and then transferred to the [GF]. The state uses the unclaimed property fund to finance SCO’s administrative costs to operate the program. The remainder – the amount that is not reunited with owners or used for unclaimed property administration – provides a source of [GF] revenue. This money is spent on programs throughout the [GF] budget.

This bill requires the deposit of escheated DFAs into the DARF instead of following the existing UPL fund transfer process. Although this bill allows the Legislature to direct the SCO through subsequent legislation to deposit 10% of DFAs in the DARF into the GF, there is no requirement for such a transfer to ever happen, resulting in GF revenue loss.

- 3) **Support if Amended.** This bill is supported by the Satoshi Action Fund and Blockchain Cooperative Coalition. The California Blockchain Advocacy Coalition writes that “we support this bill in concept” but “urge amendments to ensure that consumer assets are protected and operational considerations are addressed” noting:

converting assets from their original form into a different category of digital asset could create complexities in ensuring that claimants are made whole in a manner consistent with expectations. As digital asset markets continue to evolve, preserving flexibility in how assets are managed – and ensuring alignment with the goal of returning assets in their native form where appropriate – may help avoid unintended outcomes for consumers.