

ASSEMBLY THIRD READING  
AB 2335 (Valencia)  
As Amended May 18, 2026  
2/3 vote.

## 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.

### Major Provisions

- 1) Defines "High-quality digital asset" as a digital financial asset with an average market capitalization of at least one hundred billion dollars (\$100,000,000,000) over the most recent 12-month period.
- 2) 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.
- 3) Requires that digital financial assets held by the Controller be deposited into the Digital Asset Reserve Fund, which is controlled by the Controller.
- 4) 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 required report.
- 5) 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.
- 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 and entrusts the Board with specified obligations.

- 11) Establishes the makeup of the Digital Asset Reserve Fund Board.
- 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.

## 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.

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.

Acknowledging the potential boon for the state presented by more stable forms of cryptocurrency, this bill requires the Controller, upon receiving the digital financial assets, to deposit the asset into the Digital Asset Reserve Fund and to subsequently convert the asset after a specified period of time into "*high-quality*" digital assets and deposit them into the "Digital Asset Reserve Fund." The bill also specifies how a person may recover the asset or the value of the asset upon making a valid claim to the Controller.

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.

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 and makes conforming changes to the notice businesses that hold abandoned digital financial assets are required to provide to the asset's apparent owner.

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

### **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. As the global leader in technology and innovation, California is uniquely positioned to modernize its financial systems and ensure public programs remain sustainable for the residents who depend on them.

### **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.

### Arguments in Opposition

None on file

## FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Costs of an unknown amount to the SCO to support information security needs related to DFA conversion 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.

## VOTES

### ASM JUDICIARY: 12-0-0

**YES:** Kalra, Macedo, Bauer-Kahan, Bryan, Connolly, Dixon, Harabedian, Pacheco, Papan, Sanchez, Stefani, Zbur

### ASM BANKING AND FINANCE: 9-0-0

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

### ASM APPROPRIATIONS: 11-0-4

**YES:** Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

**ABS, ABST OR NV:** Hoover, Dixon, Ta, Tangipa

## UPDATED

VERSION: May 18, 2026

CONSULTANT: Manuela Boucher / JUD. / (916) 319-2334

FN: 0002789