SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2335 (Valencia) - Unclaimed property: digital financial assets

Version: July 2, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: JUD. 12 - 0
Mandate: No
Consultant: Bob Franzoia

Bill Summary: AB 2335 would create the Digital Asset Reserve Fund for the deposit of digital financial assets (DFAs) escheated to the state under the Unclaimed Property Law (UPL) and requires the State Controller's Office (SCO) to convert those DFAs into high quality digital assets. The bill would create a seven member Digital Asset Reserve Fund Board (DARF) to create guidelines for valuing assets in the DARF and establish investment policies, including risk management policies for staking.

Fiscal Impact: Estimated $678,000 annually to the SCO to support information security needs related to DFA conversion and staking and the work of the DARF Board (Unclaimed Property Fund (UPF)). Annual 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).

Major revenue losses, potentially in the tens of millions or more annually by changing the handling of DFAs from a stable holding and investment process to a high risk process (General Fund).

The FY 2026-27 Budget appropriated $4.2 million and 18 positions to the SCO to implement SB 822 (Becker), Chapter 660, Statutes of 2025, which included DFAs in the UPL program. That funding is still needed before consideration of the additional workload envisioned by this bill.

Background: The UPL provides for the "escheat" of unclaimed personal property to the state, which is the reversion of property to the state due to the failure of the owner of the property to inherit or claim the property. When property escheats to the state, the state assumes custody of the property in perpetuity, unless and until the owner claims the property. The state's custody has two purposes: by assuming custody of unclaimed property, the state can protect the owner's interests and custody of unclaimed property allows the state to benefit from the use of the unclaimed property until the rightful owner comes along.

The UPL establishes procedures to be followed when property goes unclaimed, generally for a period of three years, and custody reverts to the state. The holder must file an annual report on unclaimed property and turn the property over to the Controller at the time the report is filed. Assuming the Controller does not decline to take custody of the property, the holder then must transfer the property to the Controller within a specified time. The Controller then holds the property or sells it and holds the proceeds in perpetuity, unless and until the rightful owner makes a claim for its return. The Controller retains the interest or other income on property or moneys that accrue after the state takes custody of the property.

A digital financial asset is “a digital representation of value that is used as a medium of exchange, unit of account, or store of value, and that is not legal tender,” with exceptions for affinity and rewards programs, representations of value in video games, and assets regulated by the United States Securities and Exchange Commission. The most common type of digital financial asset is cryptocurrency—Bitcoin, Ethereum, Tether. Cryptocurrency and other digital financial assets have no tangible form, so unlike U.S. dollars, which can be held electronically or physically, they are necessarily bought, sold, held, and traded electronically.

Proposed Law: The bill would create the Digital Asset Claims Reserve Account and the Digital Asset Reserve Fund for these purposes.

The bill would require the Controller to hold an escheated digital financial asset in its native form no earlier than 18 months and no later than 20 months after it is reported to the Controller by the holder of the asset, and, if it is not claimed by the owner within that time, to liquidate the asset and deposit the net proceeds in the Digital Asset Claims Reserve Account.

The bill would require the Treasurer to invest moneys in the Digital Asset Claims Reserve Account pursuant to the Treasurer’s existing authority to invest surplus money.

The bill would require the Controller to transfer all interest, earnings, and investment income credited to the Digital Asset Claims Reserve Account to the Digital Asset Reserve Fund on a quarterly basis.

The bill would create the Digital Asset Reserve Board, which would be assigned specified tasks relating to administration of the Digital Asset Reserve Fund, including establishing investment policies to be followed by the Controller when investing moneys in the fund by converting them into high-quality digital assets.

The bill would authorize the Controller to take specified actions related to digital financial assets and would require the Controller to publish a quarterly report, as specified. Under the bill, a person who makes a valid claim before the disposition of the digital financial assets is entitled to receive the digital financial assets in their native form or in fiat currency, as specified, or in cash if the digital financial assets were liquidated.

The bill would authorize the Controller to use assets within the Digital Asset Reserve Fund to pay for the administration and management of the fund, thereby making an appropriation.

This bill would establish the Digital Asset Reserve Fund Board to create guidelines for valuing assets in the Digital Asset Reserve Fund and establish prudent investment policies relating to the investment objectives of and asset allocation of the Digital Asset Reserve Fund.

Related Legislation: SB 822 (Becker) Chapter 660/2025 amended the Unclaimed Property Law to provide when and how digital financial assets, as defined, escheat to the state.

AB 1052 (Valencia), 2025 would have established an alternative process for the escheat of digital financial assets to the Controller under the UPL than the one adopted in SB 822. AB 1052 was held under submission in this committee.

AB 1180 (Valencia) 2025 would have required the Department of Financial Protection and Innovation to adopt regulations to allow a payment for license or other fees required under the Digital Financial Assets Law 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. AB 1180 was held under submission in this committee.

Staff Comments: It is unclear what if anything is amiss with the state's fully funded current process, operating for less than two years, with no documented revenue losses, that would require the state to reject that process and adopt a far financially risky process.