Office of Senate Floor Analyses
(916) 651-4171

CONSENT

Bill No: AB 2425
Author: Chen (R)
Amended: 4/16/26 in Assembly
Vote: 21

SENATE BANKING & F.I. COMMITTEE: 7-0, 6/17/26
AYES: Grayson, Niello, Cervantes, Hurtado, Reyes, Richardson, Strickland

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 77-0, 5/27/26 - See last page for vote

SUBJECT: Department of Financial Protection and Innovation: budget reports

SOURCE: Author

DIGEST: This bill requires the Department of Financial Protection and Innovation to report annually to the Legislature information related to revenues and expenses associated with specified licensing and registration programs administered by the department.

ANALYSIS:

Existing Law:

1) Requires the Department of Financial Protection and Innovation (DFPI) to report annually to the Joint Legislative Budget Committee, the Senate Banking and Financial Institutions Committee, and the Assembly Banking and Finance Committee the projected and actual revenues and expenditures, including months in reserve for the immediately preceding fiscal year for specified subprograms administered by DFPI. (Budget Act of 2025, SB 101, Chapter 4, Statutes of 2025)

2) Requires DFPI to provide written updates to the Joint Legislative Budget Committee, the Senate Banking and Financial Institutions Committee, and the

Assembly Banking and Finance Committee, no later than six months after the effective date of any fee or assessment adjustment, as specified, for the purpose of informing legislative oversight of fund stability and assist in evaluating the need for budgetary or statutory adjustments. (Budget Act of 2025, SB 101, Chapter 4, Statutes of 2025)

3) Requires DFPI to issue and collect assessments and charges on a pro rata basis to recover the actual costs of administering licensing law, to the extent authorized by any existing licensing law. (Budget Act of 2025, SB 101, Chapter 4, Statutes of 2025)

This bill:

1) Codifies the requirement described in 1) of the Existing Law section, with minor technical changes.

2) Requires DFPI to report nonexam revenues in subcategories containing totals for annual assessment revenue, application and licensing fees, renewal fees, fingerprinting fees, penalties and settlement revenue, income from the Surplus Money Investment Fund, investigation fees, delinquent fees, and cost recovery.

3) Requires DFPI to report, for each specified licensing law that authorizes the collection of assessments on a pro rata basis, the method of determining those assessments.

Background

DFPI is the state financial services regulator, and the department conducts most of its activities through licensing or registration laws that are tailored to specified categories of financial services. These laws establish requirements that a person engaged in a specified activity must be licensed or registered with the department before engaging in such activity, establish the minimum requirements and procedures for obtaining a license, and regulate conduct related to the activity, such as mandatory, permissible, and prohibited behaviors, when providing the specified financial product or service. Except for institutions or activities that are regulated solely by the federal government, DFPI oversees a broad portfolio of financial service providers, including the following categories that are covered by this bill: broker-dealers and investment advisors, franchise investments, mortgage bankers, finance lenders and brokers, Property Assessed Clean Energy program administrators, escrow agents, deferred deposit transaction providers (aka payday lenders), state banks, money transmitters, debt collectors, digital financial asset service providers, and registered covered persons who provide consumer financial products or services.

Licensing or registration programs administered by DFPI are intended to be fiscally self-sustaining; that is, the licensees or registrants bear the costs of the regulatory program with no additional support needed from the general fund. By 2024, and possibly earlier, the commissioner of DFPI recognized that several programs were structurally deficient: revenues were consistently insufficient to cover costs. In 2024, DFPI contracted with an independent accounting firm to conduct a fiscal and cost study of its programs. The resulting report identified structural deficits across most of the program analyzed.[1] A subsequent report by the Legislative Analyst's Office, which relied in part on the report from the independent accounting firm, identified cost and revenue factors that caused the deficits, including an increase in annual salary adjustments, startup costs for new programs enacted by the Legislature and Governor, static fee levels due to statutory limits that had not been amended in decades, and the loss of three large banks due to mergers or failure.[2]

As part of the 2025-26 budget, the Legislature and Governor enacted a budget trailer bill that increased the fees charged by several of the DFPI programs facing fiscal stress. As part of the Budget Act of 2025, control language was enacted that requires DFPI to report annually to the Legislature specified information related to the fiscal health of certain programs and, to extent permissible by law, to charge pro rata assessments to licensees or registrants to ensure that annual program expenses are fully recovered.

This bill seeks to codify in statute the reporting requirements included in the Budget Act of 2025. Additionally, the bill requires more granular reporting of program revenues. Different from the Budget Act of 2025, this bill requires DFPI to report the method of determining the assessments and charges related to any pro rata apportionment of cost recoveries.

Comments

Purpose. According to the author:

> AB 2425 increases transparency by requiring the Department of Financial Protection and Innovation (DFPI) to publish data on its revenues and expenditures, while also clarifying the methodology used to determine certain assessments and charges. This bill brings greater transparency to the

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[1] **https://dfpi.ca.gov/wp-content/uploads/2024/11/Fiscal-and-CAP-Analysis-Report.pdf**
[2] **https://lao.ca.gov/Publications/Report/5025**

DFPI by ensuring that licensees can clearly understand how funds are allocated, and how fees are justified.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 8/3/26)

None received

OPPOSITION: (Verified 8/3/26)

None received

ASSEMBLY FLOOR: 77-0, 5/27/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, 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
NO VOTE RECORDED: Lee, Ortega, Celeste Rodriguez

Prepared by: Michael Burdick / B. & F.I. /
8/5/26 15:04:45

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