Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1208 (Grayson) – As Amended July 2, 2026

Policy Committee: Public Safety Vote: 9 - 0

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

SUMMARY:

This bill expands the crime of money laundering to reach transactions using digital financial assets and establishes a forfeiture process for digital financial assets connected to specified crimes.

More specifically, this bill:

1) Amends the money laundering statute to reach transactions conducted using any digital financial asset, as defined in the Digital Financial Assets Law.

2) Authorizes a law enforcement officer or prosecuting agency to obtain a search warrant to seize digital financial assets upon a showing of probable cause that the assets contain, have contained, or are traceable to the proceeds of specified crimes, were used to facilitate those crimes, or were involved in money laundering.

3) Requires a centralized exchange, digital financial assets issuer, or other party receiving a written request from law enforcement to freeze the relevant assets for 10 calendar days to allow time to pursue a warrant.

4) Authorizes a prosecuting agency, within 180 days of a seizure, to initiate a special proceeding of a criminal nature to forfeit the seized assets, and requires the agency to establish by a preponderance of the evidence that the property falls within the bill's seizure provisions.

5) Requires the court to make a finding on the record establishing jurisdiction over the property by a preponderance of the evidence, and requires notice to readily ascertainable potential owners, who have 30 days to file a verified claim.

6) Places on the claimant the burden of showing by a preponderance of the evidence that the assets belong to the claimant and were obtained by legitimate means, and requires the claim to include specified identifying information and all evidence on which the claimant intends to rely.

7) Requires forfeited assets to be distributed to victims pro rata up to the amount of actual loss, and requires assets not distributed to victims to be held for a maximum of three years and then deposited into the Restitution Fund exclusively for victim services.

8) Defines a prosecuting agency as a city attorney, district attorney, or the Attorney General (AG), and extends jurisdiction to assets in any country where a California nexus is established.

FISCAL EFFECT:

1) Court cost pressures of an unknown, but potentially significant amount (Trial Court Trust Fund, General Fund). The Judicial Council identifies four sources of workload:

   a) Expanding the crime of money laundering would generate additional hearings, in a volume dependent on how often filings are brought.

   b) The bill's search warrant requirements would likely lead to additional warrants being submitted for judicial determination and would require additional time to review the jurisdictional questions the bill poses; the Judicial Council characterizes this as an unknown, potentially significant impact on judicial officer workload.

   c) The new civil asset forfeiture procedure would generate new hearings involving an unknown number of claimants.

   d) The Judicial Council states that under existing case law, each claimant could request a jury trial to establish a claim and recover the assets, and the Judicial Council states that depending on the total number of filings and the mix of bench and jury trials, the new forfeiture process could create significant impacts on court calendars at both the trial and appellate levels.

   Actual cost pressures will depend on the number of proceedings prosecuting agencies elect to bring and the complexity of each. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund (TCTF) may create a demand for increased funding for courts from the General Fund (GF). The state budget provides annual GF backfills to the TCTF to offset revenue reductions, totaling approximately $117.3 million in 2025-26.

2) No significant costs to the Department of Justice (DOJ), which is sponsoring this measure. According to DOJ, the workload under this bill is absorbable within existing capacity. DOJ states that most of the work involved in the seizure of assets is already authorized under existing law, and that the new element — returning property to victims — is not cost intensive and is expected to involve a relatively low number of proceedings. Notably, the department's estimate reflects DOJ's own anticipated activity and does not account for proceedings initiated by other prosecuting agencies.

COMMENTS:

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

   > SB 1208 is an important bill in California's fight against consumer fraud and scams… Existing state law, however, requires a criminal conviction to effect forfeiture of fraud proceeds, a hurdle that is nearly impossible to clear when the alleged criminal is located overseas in a

jurisdiction that does not cooperate with U.S. law enforcement agencies.

2) **Background**. Existing law makes it a crime, punishable as a misdemeanor or felony, to conduct a transaction through a financial institution either with intent to facilitate criminal activity or knowing the funds are criminal proceeds, where the transaction exceeds $5,000, or where transactions within a seven-day period total more than $5,000 or within a 30-day period total more than $25,000. This bill extends the offense to transactions using a digital financial asset, as defined in the Digital Financial Assets Law, without altering the existing thresholds or penalties. According to the bill's findings, transnational criminal organizations use cryptocurrency to defraud Californians and operate beyond the practical reach of state prosecution, and seizing traceable proceeds is offered as a means of disrupting those organizations without a conviction. The bill separates seizure from forfeiture. A warrant issued on probable cause allows law enforcement to take custody of digital financial assets, but custody alone does not transfer ownership. Within 180 days of a seizure, a prosecuting agency may initiate a special proceeding to forfeit the assets; if no proceeding is initiated, the assets must be returned. Forfeiture — the permanent transfer of ownership — occurs only through that proceeding, and only after any claims are resolved.

   The forfeiture process operates without a criminal conviction. The Public Safety analysis characterizes the mechanism as functionally a civil asset forfeiture scheme, brought against the property rather than against a person, and notes that this departs from the direction of California law in this area. Forfeiture under the Control of Profits of Organized Crime Act requires conviction of the underlying offense, and SB 443 (Mitchell), Chapter 831, Statutes of 2016, imposed a conviction requirement on forfeiture in specified drug cases and raised the burden of proof. Because criminal profiteering is defined to include money laundering, receiving stolen property, and specified fraud offenses, the analysis observes that this bill could supply a route to forfeiture without conviction for conduct otherwise subject to that requirement.

   The mechanics of the proceeding bear directly on court workload. The prosecuting agency must provide notice to readily ascertainable potential owners, and claimants have 30 days to file a verified claim. The claimant bears the burden of showing that the assets belong to the claimant and were obtained by legitimate means. Forfeited assets are distributed to victims on a pro rata basis rather than retained by the seizing agency, with assets undistributed after three years deposited into the Restitution Fund. The Public Safety analysis describes the process in full. That analysis also raises questions about the bill's jurisdictional reach and identifies constitutional questions under the Fourth, Fifth, Sixth, Eighth, and Fourteenth Amendments. To the extent the bill is challenged in court, any defense costs would be borne by the Department of Justice. This bill was amended in the Assembly Committee on Public Safety. The committee analysis does not reflect those amendments. Certain questions about the scope and operation of the amended provisions remain open.

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