Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON JUDICIARY
Ash Kalra, Chair
AB 2465 Ortega – As Amended April 6, 2026

SUBJECT: STATE GOVERNMENT: BENEFITS

KEY ISSUE: SHOULD A BUSINESS THAT IS DIRECTLY INVESTED IN, OWNS, MANAGES, OR PROFITS FROM A PRIVATE DETENTION FACILITY OR CONTRACTS WITH A PRIVATE DETENTION FACILITY OR AGENCY ENGAGING IN IMMIGRATION ENFORCEMENT FOR THE PURPOSE OF AIDING IN OR FURTHERING IMMIGRATION ENFORCEMENT BE INELIGIBLE TO RECEIVE ANY STATE-PROVIDED BENEFIT, SUBSIDY, GRANT, LOAN, OR TAX CREDIT?

SYNOPSIS

In the first year and four months of his second term, Donald Trump and his administration have carried out a "mass deportation" scheme with seemingly little to no care for whether those being detained were actually eligible for deportation or detention. Communities across the country have borne witness to the administration's often-violent tactics, and have suffered significant impacts to their community members' health and wellbeing. Carrying on California's recent tradition of enacting legislation to counter the federal government's immigration policies, this bill proposes to bar any business from receiving a state-provided benefit, subsidy, grant, or loan, or tax credit in any year in which it directly invested in, owned, managed, or profited from their investment in or ownership of a private detention facility or contracted with a private detention facility or federal agency engaging in immigration enforcement. The bill establishes the California Immigrant Resilience Fund to receive any of the funds that would have otherwise been provided to the ineligible business. The author argues an emergent need exists to avoid subsidizing the federal government's policies with California's taxpayer funds. Although well-intentioned, the statute proposed by this bill may run into legal challenge, and this risk is discussed at length in this analysis.

This bill is sponsored by Super Intendent of Public Instruction Tony Thurmond, the California Immigrant Policy Center (CIPC), and PICO California. It enjoys broad support from immigrants' rights advocates, civil rights organizations, labor unions, legal services organizations, and nonprofit organizations. It is opposed by a coalition of business advocates led by the California Chamber of Commerce. Should the bill pass this Committee, it will be referred to the Assembly Revenue & Taxation Committee.

SUMMARY: Enacts the No Taxpayer Dollars for Family Separation Act. Specifically, **this bill**:

1) Notwithstanding any other law, makes a business ineligible to receive any state-provided benefit, subsidy, grant, or loan, or any tax credit as described in Section 17137 or Section 23637 of the Revenue and Taxation Code in any year in which a business entity is directly invested in, owns, manages, or profits from a private detention facility or contracts with a private detention facility or agency engaging in immigration enforcement for the purpose of aiding in or furthering immigration enforcement.

2) Requires any state agency that administers a program to provide or that otherwise provides a benefit, subsidy, grant, or loan to screen applicants or otherwise eligible recipients of that benefit, subsidy, grant, or loan, to determine whether they are an eligible entity.

3) Requires the Controller, upon receiving an estimate described in subdivision (e) of Section 17137 or 23637 of the Revenue and Taxation Code, to transfer an amount equal to that estimate from the General Fund to the California Immigrant Resilience Fund.

4) Makes moneys available in the fund available, upon appropriation by the Legislature, for purposes of immigration-related services and programs within the state.

5) Prohibits an appropriation of moneys from the fund from being used as justification to reduce, eliminate, or fail to increase other appropriations for immigration-related services and programs, and may not be used to supplant existing state funds for immigration-related services and programs.

6) Notwithstanding any other law, makes a business entity ineligible for any credit provided under Part 10 of the Revenue and Taxation Code governing personal income tax in any taxable year beginning on or after January 1, 2027 in which a business entity is directly invested in, owns, manages, or profits from a private detention facility or contracts with a private detention facility or agency engaging in immigration enforcement for the purpose of aiding in or furthering immigration enforcement. Exempts credits provided under Section 19002 of the Revenue and Taxation Code.

7) Requires the Franchise Tax Board (FTB) to require a taxpayer to declare whether they are an entity ineligible for credits pursuant to 6) for that taxable year in a form and manner prescribed by the board.

8) Exempts any standard, criterion, procedure, determination, rule, notice, guideline, or any other guidance established or issued by the board pursuant to this bill from the Administrative Procedures Act.

9) Requires the FTB, on or before July 1, 2029, and on or before July 1 annually thereafter, to estimate the amount of tax collected, attributable to business entities being made ineligible for tax credits by this section, for the taxable year that is two years prior and requires the FTB to report that estimate to the Controller. Requires disclosure provisions of this subdivision treated as an exception to Revenue and Taxation Code Section 19542.

10) Defines all of the following for purposes of the Act:

    a) "Agency engaging in immigration enforcement" means any out-of-state agency or federal agency that assists with or engages in immigration enforcement;

    b) "Immigration enforcement" has the same definition as that term is defined in Section 7284.4.

    c) "Invests in" means an entity that owns at least 5 percent of a private detention facility or private detention facility operator;

d) "Manages" means an entity that the owner contracts with to control the daily operations of a private detention facility or private detention facility operator;

e) "Owns" means an entity that owns at least 5 percent of a private detention facility or private detention facility operator or that owns or leases the building or land on which a private detention facility operates;

f) "Private detention facility" and "private detention facility operator" have the same meaning as those terms are defined in Section 7320.

EXISTING LAW:

1) Establishes the Immigration and Nationality Act which provides guidance and procedures relating to federal immigration law. (8 U.S.C. Section 1101 *et seq.*)

2) Authorizes certain amounts withheld as specified during any calendar year to be allowed to the recipient of the income as a tax credit against the tax for the taxable year with respect to which the amount was withheld. (Revenue and Taxation Code Section 19002.)

3) Makes it a misdemeanor for the Franchise Tax Board or any member thereof, or any deputy, agent, clerk, or other office or employee of the state, including its political subdivisions, or a jury commissioner, or any former officer or employee or other individual, who in the course of their employment or duty has had access to returns, reports, or documents required to be filed, to disclose or make known in any manner information as to the amount of income or any particulars, including the business affairs of a corporation, set forth or disclosed therein. (Revenue and Taxation Code Section 19542.)

4) Prohibits law enforcement agencies from using agency or department moneys or personnel to investigate, interrogate, detain, detect, or arrest persons for immigration enforcement purposes, as specified, place peace officers under the supervision of federal agencies, use immigration authorities as interpreters for law enforcement matters, transfer an individual to immigration authorities unless authorized by a judicial warrant, and provide office space exclusively dedicated to immigration authorities, and from contracting with the federal government for the use of law enforcement agency facilities to house individuals as federal detainees for the purposes of civil immigration custody, as specified. (Government Code Section 7284.6.)

5) Defines "private detention facility" as a detention facility that is operated by a private, nongovernmental, for-profit entity pursuant to a contract or agreement with a governmental entity. (Government Code Section 7320 (b)(2).)

6) Defines "private detention facility operator" as any private person, corporation, or business entity that operates a private detention facility. (Government Code Section 7320 (b)(3).)

FISCAL EFFECT: As currently in print this bill is keyed fiscal.

COMMENTS: In the first year and four months of his second term, Donald Trump and his administration have carried out a "mass deportation" scheme with seemingly little to no care for whether those being detained were actually eligible for deportation or detention. In January of this year, the world was stunned by an image of a young boy in a blue bunny hat and a

Spiderman backpack being detained by immigration officials. The boy, 5-year-old Liam Conejo Ramos, is an asylum-seeker from Ecuador living in Minneapolis, Minnesota. In the midst of increased ICE raids throughout the city of Minneapolis, Liam was detained alongside his father, also an asylum-seeker. At the time of their detention, their asylum case was pending and both had lawful immigration status. (Rebecca Cohen et. al, *ICE detains 4 Minnesota students, including 5-year-old, school district says* (January 22, 2026) NBC News available at: https://www.nbcnews.com/news/us-news/ice-detains-4-minnesota-students-5-year-old-school-district-says-rcna255366.) Unfortunately, Liam's story is not unique. Across the country children and adults with lawful status or even citizenship have been detained by ICE and Customs and Border Patrol (CBP) agents with no apparent justification. According to the Deportation Data Project, the Trump administration quadrupled the overall number of arrests than had occurred during the Biden administration. (Graeme Blair and David Hausman, *Immigration Enforcement in the First Nine Months of the Second Trump Administration* (January 27, 2026) Deportation Data Project available at: https://deportationdata.org/analysis/immigration-enforcement-first-nine-months-trump.html.)

The threat of detention and deportation has severely impacted immigrant communities' ability to access daily life, regardless of their immigration status. According to one report, attendance at the Salinas City Elementary School District decreased by four percent in 2025 compared to August of the previous year. In a district with fewer than 10,000 students, a seemingly minor drop like that reflects a total of more than 700 students who were losing time in classrooms with teachers and their peers in one school district alone. (Carolyn Jones, *'Afraid to go to school': Immigrant families in the Salinas Valley are gripped by fear,* CalMatters (Feb. 20, 2025) available at: https://calmatters.org/education/k-12-education/2025/02/deportation/.)

According to the author:

> In California, we believe in welcoming immigrants and valuing all who come to contribute to our communities. As federal immigration authorities continue to terrorize our communities, violate the rights of Californians, and tear apart families, our state must not allow taxpayer funds to subsidize this unlawful, militarized, and racist federal policy. AB 2465 will bar any business that holds contracts with agencies that conduct immigration enforcement, or which owns or directly invests in private detention facilities, from receiving any tax credits, grants, or other subsidies from the State of California. With these savings, the bill will establish the California Immigrant Resilience Fund to support immigrant services and programs.

This bill makes a business entity that is invested in, owns, manages, or profits from a private detention facility or contracts with a private detention facility or agency engaging in immigration enforcement for the purpose of aiding in or furthering immigration enforcement ineligible to receive any state-provided benefit, subsidy, grant, or loan, as well as ineligible for any specified tax credit. The bill redirects those funds instead to the newly established California Immigrant Resilience Fund within the State Treasury.

As a brief note, the implications of the provisions of this bill in the Revenue and Taxation Code are under the jurisdiction of the Assembly Committee on Revenue and Taxation, where this bill is subsequently referred after hearing before this Committee. Should this bill be approved by this Committee, these provisions will receive closer scrutiny in the second committee.

Can the Legislature prohibit private businesses that contract with the federal government from receiving state benefits, grants, and tax credits? Since Donald Trump first took office in 2017, the Legislature responding to both Trump administrations' aggressive immigration tactics, has enacted bills including prohibiting state and local governments from contracting for immigration detention centers, requiring the Attorney General to develop and disseminate guidance for state and local agencies in their interactions with immigration enforcement agents, requiring schools and daycares to restrict federal agents' access to their campuses, among numerous other efforts to respond to the federal government within the ability of the state.

One of the most well-known pieces of legislation that arose during the first administration was SB 54 (De Leon Chap. 495, Stats. 2017, which limited the use of state and local resources for the purposes of immigration enforcement. The Trump administration challenged SB 54 in court arguing it was preempted by federal law, but in 2019 the Ninth Circuit ruled against the administration. The court held that because federal immigration law is silent on the role of state or local governments in immigration enforcement, and SB 54 was focused on *state and local* agencies, the law was not preempted. In particular they stated "SB 54 does not directly conflict with any obligations that the INA or other federal statutes impose on state or local governments, because federal law does not actually mandate any state action[.]" (*United States v. California* (2019) 921 F.3d 865, 887.) The administration appealed the Ninth Circuit ruling, but the Supreme Court denied the request, leaving the decision untouched.

While SB 54 withstood legal scrutiny, the state has not always been so successful. In 2019, the Legislature enacted AB 32 (Bonta) Chap. 739, Stats. 2019, which prohibited privately owned detention facilities from operating in the state. Although the language captured *any* private detention facility, including private prisons, it functionally undermined the ability of the federal government to detain and house immigrants in California due to its outsized reliance on private detention facilities. The Trump Administration challenged the new statute and after a series of hearings and appeals, the state requested an en banc review of the case before the Ninth Circuit. In that review, the court held that the statute likely violated the Supremacy Clause of the United States Constitution. (*Geo Group, Inc. v. Newsom* (2022) 50 F4th 745.)

Briefly, the doctrine of intergovernmental immunity, derived from the Supremacy Clause of the Constitution, has been interpreted to provide limits on the extent to which the state and federal governments can encroach on each other's sovereignty. Since 1819, the Supreme Court has held that states cannot tax the federal government. (*McCulloch v. Maryland* (1819) 17 U.S. 316.) The Supreme Court has further interpreted the Supremacy Clause to, in part, prohibit the states from "interfering with or controlling the operations of the Federal Government" but a law that indirectly imposes a cost on the federal government may be constitutional "so long as the law imposes those costs in a neutral, nondiscriminatory way." (*United States v. Washington* (2022) 596 U.S. 832, 838 – 839.) A statute that discriminates against the federal government (or its proxies) functions under the scope of obstacle preemption, which holds a state statute preempted by federal law and therefore invalid, if it "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." (*United States v. California* (2019) 921 F.3d 865, 879 (internal citations omitted).)

In the case of AB 32, the Ninth Circuit acknowledged a distinction between federal contractors and federal instrumentalities, and that the measure potentially imposed a restriction on federal contractors. Whether AB 32 *dictated* the actions of the federal government then came down to whether the challenged statute interfered with or controlled the operations of the federal

government by deciding who got federal work. The Ninth Circuit ultimately determined that "AB 32 would give California the power to control ICE's immigration detention operations in the state by preventing ICE from hiring the personnel of its choice. […] To comply with California law, ICE would have to cease its ongoing immigration detention operations in California and adopt an entirely new approach in the state." (*Id.* at 757 – 758.) Under the court's logic, by banning private detention centers in California, the state was functionally controlling who the federal government could contract with to carry out immigration detention operations.

The Ninth Circuit further held that AB 32 also violated the Supremacy Clause's doctrine of intergovernmental immunity by *discriminating* against the federal government via its contractors so as to trigger obstacle preemption. In making this determination, the court reasoned that although AB 32's prohibitions applied to *all* private detention facilities, including those traditionally under the jurisdiction of the state to manage, in effect the statute heavily impacted federal immigration facilities that were *not* under the state's traditional control. The court reasoned that "Congress sought to delegate to the DHS Secretary the responsibility to 'arrange for appropriate places of detention[,]' [and] AB 32 frustrates that congressional intent [.] […] Such interference with the discretion that federal law delegates to federal officials goes to the heart of obstacle preemption." (*Id.* at 762.)

In sum, the Ninth Circuit held that AB 32 both improperly dictated who the federal government could contract with in order to carry out its obligations *and* frustrated the ability of their proxies to function in the state so as to create an obstacle for the federal government to engage in immigration detention. Therefore, California's attempt to ban private detention facilities in the state amounted to unconstitutional control of the federal government *and* discrimination against those who contract with the federal government by the state in violation of the Supremacy Clause.

AB 2465 is distinguishable from AB 32 insofar as it does not *prohibit* private detention facilities, or businesses from contracting with private detention facilities or agencies engaging in immigration enforcement. Instead, it seeks to limit state benefits, whether they be grants, loans, or tax credits, from flowing to those companies that choose to engage in contracts with those entities. It is possible that the state may successfully argue that such restrictions are more akin to a restriction on state resources, bringing the statute more in line with the Ninth Circuit's decision upholding SB 54. However, it is possible that a court would find the statute's limitation on issuing benefits to a third party otherwise entitled to those benefits save for their decision to contract with a private detention or agency involved in immigration enforcement could have a sufficiently significant impact on the federal government's ability to engage in immigration enforcement as to constitute unconstitutional control of, or discrimination against, the federal government in violation of the Supremacy Clause. As with any case of first impression, the courts and not a committee analysis will be the ultimate decision of the constitutionality of a bill.

Opposition. AB 2465 is opposed by a coalition of business advocates led by the California Chamber of Commerce. The coalition makes efforts to clarify that they do not assume their position in order to support the actions of the federal government: "To the contrary, we oppose the economic disruption caused by recent federal immigration activities and have long supported the creation of a pathway to citizenship for undocumented workers, as they are critical to addressing California's workforce needs." Instead, the coalition raises concern that the bill is overbroad and risks punishing businesses with no involvement in immigration detention "and drive business out of California."

The opposition's concern seems focused primarily on the language in proposed Government Code Section 7300 which would apply the restriction to any entity that "contracts with a private detention facility or agency engaging immigration enforcement for the purpose of aiding in or furthering immigration enforcement." Acknowledging that the last clause (for the purpose of aiding in or furthering immigration enforcement) does seem to cabin the first half of the subdivision, the opposition argues that "it is not clear what limitations this provides, and not clear how a business can determine whether its contracts would violate AB 2465. For example: is providing information technology (IT) services for ICE considered 'for the purpose of aiding or furthering immigration enforcement'?" The opposition raises additional concern that despite being unclear about when the restrictions apply, it would be the business, and not the state, tasked with identifying ineligibility for state benefits and tax credits.

It appears that the author and sponsors intent is, to the greatest extent possible, limit any state money that entities who contract with entities engaging in immigration enforcement may otherwise receive, and redirect those funds into the newly established California Immigrant Resilience Fund. Therefore, it seems likely, because the predominant purpose of ICE is, in fact, to engage in immigration enforcement, that the author and sponsors intend that a business that contracts for IT services with ICE would fall under the bill's restrictions and any state-provided benefits that the IT company would have otherwise received would instead go the Fund. Nevertheless, the bill is arguably only as effective as the notice it provides. In other words, a business that is unaware that a contract makes them ineligible for a given state benefit or tax credit may move forward with a contract that this bill wishes to dissuade. *The author may wish to collaborate with the opposition to clarify to the extent necessary to allow businesses sufficient notice of which contracts would make them ineligible for state benefits under the bill's provisions.*

The opposition also raises concern that "state-provided benefit" is undefined. This is true, and could create challenges in implementing the bill's provisions. Acknowledging that California provides countless benefits, subsidies, grants, loans, and tax credits, *the author may wish to consider amending the bill to clarify how the agencies that supervise these programs would know that an applicant is ineligible, some form of process for the agencies to follow, and notice to potential applicants of which state programs fall under the bill's scope.*

ARGUMENTS IN SUPPORT*:* This bill is sponsored by Super Intendent of Public Instruction Tony Thurmond, the California Immigrant Policy Center (CIPC), and PICO California. It enjoys broad support from immigrants' rights advocates, civil rights organizations, labor unions, legal services organizations, and nonprofit organizations. In support of the measure, Superintendent Tony Thurmond submits:

> Over the past year, the federal administration has intensified its immigration enforcement policies on our immigrant communities, violating the constitutional and civil rights of Californians. The mass detention and deportation practices are threatening the health and safety of our TK-12 students. The fear of enforcement is creating a chilling effect on attendance, academic performance, and district resources – leading some to describe it as the ICE pandemic. Schools function best when they are safe and predictable environments, and any immigration enforcement in our communities undermines that foundation.
>
> I am deeply disturbed by some of the cruel immigration enforcement practices, including the deportation of a six-year-old Deaf student who has been enrolled in the Department of

Education's own California School for the Deaf in Fremont. He was detained and deported without access to critical medical devices that support his ability to hear. He has been deprived of the ability to communicate and understand even what is happening to him.

While California has led the nation in taking steps to limit the use of for-profit incarceration, ensure accountability, and support our immigrant communities, current law does not explicitly prevent California taxpayer dollars from supporting companies that profit from private detention and unlawful immigration enforcement. AB 2465 helps close the disconnect in state policy and sends a clear message that state resources will no longer subsidize business practices that conflict with California's public policy and values or support the dehumanization of immigrants in California.

***ARGUMENTS IN OPPOSITION**:* It is opposed by a coalition of business advocates led by the California Chamber of Commerce. They submit:

Though the bill purports to target "any entity that "invests in, owns, manages, or profits from a private immigration detention facility," that category of entities is, for purposes of our concerns, subsumed by the broader category – contracting with an "agency engaging in immigration enforcement" – so we will focus on the broad category covered by the bill.

"State-provided benefit" is also undefined, meaning it is unclear what other state programs might be considered a "state-provided benefit" and therefore prohibited under **AB 2465**. For example – would a state contract to provide a basic service be considered a "state-provided benefit"? Certainly, it is state resources being provided to a company.

The list of problematic federal agencies under **AB 2465** is also undefined. Though the term "agency engaging in immigration enforcement" *is* defined in the bill, the definition is circular, so it does not actually clarify the covered agencies who might trigger a violation of the bill. We can only assume that it would include all federal agencies potentially involved in, or assisting in, "immigration enforcement," which we would assume includes, but is not limited to, ICE or Department of Homeland Security (DHS), Customs and Border Patrol (CBP).

[…]

In simplest terms: we read this bill as potentially punishing any company who works with an undefined list of federal agencies by revoking all "state provided benefit[s], subsid[ies], grant[s], loan[s], or any tax credit..." for the taxable year.

[…]

Individual Businesses or Industries Should Not be Placed in the Middle of Federal vs. State Policy Disagreements.

At a philosophical level, we do not believe that businesses should be compelled to participate in disagreements between California policymakers and the federal policies of the present – or any future – administration.

To be clear, were the situation reversed and the federal government were to attempt to cut off any federal benefits to companies who, for example, provided contract services to a targeted group in California – we would be equally opposed, for the reasons outlined below.

First, such political differences are necessarily short-term. Presidential administrations must end, and policies may be changed even within a President's term. The laws passed in response, however, will linger long after a given federal policy ends or is changed. Practically speaking, if **AB 2465** were to pass, but the federal administration's policies on immigration enforcement were to change, this law would nevertheless remain in effect *indefinitely*.

Second, this kind of law invites difficult state-vs-state and state-vs-national conflicts for national companies, which we oppose. Here, California may pass a law aimed at preventing a business from contracting with a federal agency – because California disapproves of the conduct at issue. Conversely, another state may pass a law punishing companies who do not fully support a federal policy – and punishing those who comply with California's law. In other words: businesses end up stuck between competing political priorities for different politicians in different regions when the business is merely trying to continue to operate. We oppose such "rock-and-a-hard-place" choices for businesses operating in California.

REGISTERED SUPPORT / OPPOSITION:

Support

California Immigrant Policy Center (co-sponsor)
Pico California (co-sponsor)
State Superintendent of Public Instruction Tony Thurmond (co-sponsor)
A New Path (Parents for Addiction Treatment & Healing)
AAPIs for Civic Empowerment
Alianza Sacramento
Alliance for a Better Community
Bend the Arc California
Buen Vecino
Building Skills Partnership
CA Healthy Nail Salon Collaborative
California Coalition for Women Prisoners
California Community Foundation
California Coverage & Health Initiatives
California Federation of Labor Unions
California United for a Responsible Budget (CURB)
Center for Human Rights and Constitutional Law
Central American Resource Center of California (CARECEN-LA)
Central Valley Immigrant Integration Collaborative
CFT – a Union of Educators & Classified Professionals, AFT, AFL-CIO
Communities United for Restorative Youth Justice (CURYJ)
Congregations Organized for Prophetic Engagement (COPE)
Democratic Socialists of America - Los Angeles
End Child Poverty CA
Esperanza Community Housing

Felony Murder Elimination Project
Friends Committee on Legislation of California
Grace Institute - End Child Poverty in CA
Haywood Burns Institute
Immigrant Defenders Law Center
Indivisible CA Statestrong
Justice2jobs Coalition
LA Defensa
Majdal Arab Community Center of San Diego
Moreno Institute
Orale: Organizing Rooted in Abolition Liberation and Empowerment
Pilipino Workers Center of Southern California
San Diego Refugee Communities Coalition
Secure Justice
South Asian Network
South Bay People Power
Street Level Health Project
Thai Community Development Center
The San Diego LGBT Community Center
The W. Haywood Burns Institute
UDW/AFSCME Local 3930
Universidad Popular
Working Partnerships USA
Youth Leadership Institute

Opposition

Acclamation Insurance Management Services
Allied Managed Care
Associated General Contractors, California
Associated General Contractors-San Diego Chapter
Calbroadband
California Bankers Association
California Chamber of Commerce
California Construction and Industrial Materials Association
Construction Employers' Association
Flasher Barricade Association
Software & Information Industry Association
TechCA
Technet

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