

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

AB 2465 (Ortega)
Version: June 17, 2026
Hearing Date: June 30, 2026
Fiscal: Yes
Urgency: No
ID

SUBJECT

State government: benefits

DIGEST

This bill makes a business entity that is directly invested in, owns, or manages a private detention facility, or contracts with a private detention facility or agency engaging in immigration enforcement, ineligible to receive any state-provided grant, loan, or tax credit, except as specified.

EXECUTIVE SUMMARY

Since the start of its second term, the Trump Administration has expanded immigration enforcement at an unprecedented scale. In the past year, Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP) have conducted unprecedented, destructive sweeps of entire communities and cities. President Trump also ended long-standing federal policy that limited immigration enforcement activity at “sensitive locations” like schools, places of worship, shelters, medical facilities, funerals, and religious ceremonies. Consequently, there have been reports across the state of ICE attempting to enter hospitals, schools, and courthouses to detain and arrest individuals for immigration enforcement. Given the harm that this reign of terror has inflicted upon California communities, AB 2465 proposes to make any business that is invested in or contracts with a private detention facility or an agency conducting immigration enforcement ineligible for state grants, loans, and tax credits. It exempts health care providers that have contracts to provide health care services to detainees, and tax credits for the Low-Income Housing Tax Credit (LIHTC).

AB 2465 is sponsored by the California Immigrant Policy Network and PCIO California. It is supported by a broad coalition of nonprofits and other organizations. It is opposed by the California Chamber of Commerce and numerous business groups. It previously passed out of the Senate Revenue and Taxation Committee by a vote of 4 to 0.

PROPOSED CHANGES TO THE LAW

Existing federal law:

- 1) Pursuant to the Tenth Amendment, limits the power of Congress to directly compel states to enact and enforce a federal regulatory program. (*New York v. United States* (1992) 505 U.S. 144, 161.)
- 2) Under the supremacy clause of the U.S. Constitution, establishes the intergovernmental immunities doctrine that prohibits a state from interfering with the federal government's authority. Under this doctrine, states may not directly regulate the federal government or discriminate against it. (*North Dakota v. U.S.* (1990) 495 U.S. 423, 435.)

Existing state law:

- 1) 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. (Rev. & Tax. Code § 19002.)
- 2) Prohibits state 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, provide office space exclusively dedicated to immigration authorities, and contract 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. (Gov. Code § 7284.6.)
- 3) Prohibits a city, county, city and county, or local law enforcement agency that does not, as of January 1, 2018, have a contract with the federal government or any federal agency or a private corporation to house or detain noncitizens for purposes of civil immigration custody, from entering, on or after January 1, 2019, into a contract with the federal government or any federal agency or a private corporation, to house or detain in a locked detention facility noncitizens for purposes of civil immigration custody, and prohibits a city, county, city and county, or local law enforcement agency that, as of January 1, 2018, has an existing contract with the federal government or any federal agency or a private corporation to detain noncitizens for civil immigration custody, from renewing or modifying that contract in a manner that would expand the maximum number of contract beds that may be utilized to house or detain noncitizens for civil immigration custody. (Civ. Code § 1670.9.)

- 4) Prohibits a city, county, city and county, or local law enforcement agency that does not, as of June 15, 2017, have a contract with the federal government or any federal agency to detain adult noncitizens for purposes of civil immigration enforcement from entering into a new contract with the federal government or any federal agency, to house or detain in a locked detention facility owned and operated by a local entity, noncitizens for purposes of civil immigration custody. Prohibits a local government or law enforcement agency that, as of June 15, 2017, has an existing contract to detain adult noncitizens for purposes of civil immigration custody, from renewing or modifying that contract to expand the maximum number of contract beds that may be utilized to house or detain in a locked detention facility noncitizens for purposes of civil immigration custody. (Gov. Code § 7310.)
- 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. (Gov. Code § 7320 (b)(2).)
- 6) Defines “private detention facility operator” as any private person, corporation, or business entity that operates a private detention facility. (Gov. Code § 7320 (b)(3).)

This bill:

- 1) Specifies that, notwithstanding any other law, in any year in which a business entity is directly invested in, owns, or manages a private detention facility or contracts with a private detention facility or agency engaging in immigration enforcement, that business entity is ineligible to receive any state-provided grant, loan, or tax credit other than with respect to tax credits received by a direct or indirect partner or member of a nonprofit-sponsored venture to which a taxpayer has made a direct or indirect loan, or to capital contribution or tax credits under the Low-Income Housing Tax Credit (LIHTC).
- 2) Specifies that this provision does not apply to a provider of health care that contracts with a private detention facility or agency engaging in immigration enforcement for the purpose of providing health care services for injured or ill individuals detained on a private detention facility.
- 3) Specifies that any agency that administers a program to provide, or that otherwise provides, a grant or loan must screen applicants or otherwise eligible recipients of that grant or loan to determine whether they are ineligible under the provisions described in (1), above.
- 4) Creates the “Due Process for All Fund” in the State Treasury, and requires the Controller to transfer, upon receiving an estimate from the Franchise Tax Board of tax collected attributable to taxpayers ineligible for tax credits pursuant to (1), above, an amount equal to that estimate from the General Fund into the Due Process for All

Fund. Requires the moneys in the fund to be available, upon appropriation by the Legislature, for the purposes of immigration-related services and programs within the state.

- 5) Specifies that an appropriation of moneys from the Due Process for All Fund cannot be used to justify reducing, eliminating, or failing to increase other appropriations for immigration-related services and programs, and cannot be used to supplant existing state funds for immigration-related services and programs.
- 6) Defines, for the provisions above, the following:
 - a) "agency engaging in immigration enforcement" to mean any out-of-state agency or federal agency that engages in arresting, detaining, transporting, or deporting individuals pursuant to federal immigration law;
 - b) "business entity" to have the same definition that it does in Government Code section 82005;
 - c) "immigration enforcement" to have the same definition as it does in Government Code section 7284.4;
 - d) "invests in" to mean any entity that the owner contracts with to control the daily operations of a private detention facility or private detention facility operator;
 - e) "nonprofit housing provider" to mean a limited partnership or a limited liability company where a nonprofit housing sponsor or an entity wholly owned by a nonprofit housing sponsor is designated as the managing general partner of the partnership or managing member of the limited liability company;
 - f) "owns" to mean an entity that owns at least 5 percent of a private detention facility, or a private detention facility operator or that owns or leases the building or land on which a private detention facility operates; and
 - g) "private detention facility" and "private detention facility operator" to have the same meanings as they do in Government Code section 7320.
- 7) Requires, for taxable years beginning on or after January 1, 2027, in which a taxpayer is directly invested in, owns, or manages a private detention facility or contracts with a private detention facility or agency engaging in immigration enforcement, that the taxpayer is ineligible for any tax credit or to claim any carryover for any credit previously allowed for that taxable year.
 - a) Exempts from this provision tax credits received by any direct or indirect partner or member of a nonprofit sponsored venture to which the taxpayer has made a direct or indirect loan or capital contribution, any LIHTC, and other specified credits.

- b) Exempts from these provisions a provider of health care that contracts with a private detention facility or agency engaging in immigration enforcement to provide health care services for injured or ill detainees.
- 8) Defines various terms for the provisions described in (7), above.

COMMENTS

1. Author's statement

In support of this measure, the author states:

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 loans from the State of California. With these savings, the bill will establish the Due Process for All Fund to support immigrant services and programs.

2. ICE and CBP's unprecedented reign of terror

Since the start of its second term, the Trump Administration has expanded immigration enforcement and immigration detention to an unprecedented scale. In early 2025, the administration announced an arrest quota of 3,000 arrests a day.¹ To fund this effort, the budget reconciliation bill signed into law by President Trump in July 2025 included 170 billion dollars for immigration detention and enforcement, including 85 billion dollars for ICE.² That windfall represents an eight-fold increase in ICE's budget from previous years.

As part of its effort, ICE and CBP have conducted massive immigration enforcement sweeps and raids of entire communities and cities across the United States, specifically targeting states run by Democrats and sanctuary cities. In May of 2025, hundreds of federal agents began conducting raids and immigration sweeps across Los Angeles, detaining and arresting hundreds of individuals through "at large" arrests on the street,

¹ José Olivares, "Trump Administration sets quota to arrest 3,000 people a day in anti-immigration agenda," The Guardian (May 29, 2025), <https://www.theguardian.com/us-news/2025/may/29/trump-ice-arrest-quota>.

² Bill Chappel, "How ICE grew to be the highest-funded U.S. law enforcement agency," NPR (Jan. 21, 2026) <https://www.npr.org/2026/01/21/nx-s1-5674887/ice-budget-funding-congress-trump>.

and often through blatant racial profiling.³ These raids often targeted places where Latino people often work, frequent, and live, including Home Depot parking lots where day laborers look for work.⁴ Numerous reports detail immigration officers detaining and arresting U.S. citizens and those with lawful immigration status, despite detained individuals' repeated statements to officers that they are citizens or have immigration status.⁵ Federal agents often conducted these raids in civilian clothing or military uniforms, and often while masked, heavily armed, and without providing identification.⁶ There have also been numerous reports of federal agents using excessive force and causing injury and property damage while conducting these raids, as well as reports that agents have denied those detained access to legal counsel.⁷ As a result of these raids, there was a four-fold increase in arrests by ICE in 2025, including a record 14,000 arrests in Los Angeles alone.⁸

Many of the arrests that resulted from the Los Angeles immigration raids were made on the basis of an individual's perceived race or ethnicity, that the individual was speaking Spanish or speaking English with an accent, the individual's presence at a certain business like a tow yard or car wash, or on the basis of the individual's occupation. In July 2025, a U.S. District Court judge found that these bases were not enough for reasonable suspicion to justify such stops, and ordered the federal government to stop such indiscriminate stops and arrests in Southern California.⁹ However, the U.S. Supreme Court inexplicably overturned this ruling in September 2025, holding that such reasons, including the individual's race or ethnicity, can be sufficient to justify such stops.¹⁰

³ Wendy Fry, "Trump's immigration crackdown upended life in California. It continues as the new year begins," Cal Matters (Dec. 29, 2025) <https://calmatters.org/justice/2025/12/immigration-2025-year-in-review/>.

⁴ Human Rights Watch, *Report: US: ICE Abuses in Los Angeles Set Stage for Other Cities* (Nov. 4, 2025), available at <https://www.hrw.org/news/2025/11/04/us-ice-abuses-in-los-angeles-set-stage-for-other-cities>.

⁵ Lisa Desjardins, "U.S. citizens detained by immigration agents describe how they were treated," PBS News Hour (Feb. 13, 2026), <https://www.pbs.org/newshour/show/u-s-citizens-detained-by-immigration-agents-describe-how-they-were-treated>.

⁶ *Id.*

⁷ *Id.*

⁸ Elly Yu and Jordan Rynning, "ICE arrests tripled last year in LA - and more than half of those arrested had no criminal record," LAist (Mar. 31, 2026), <https://laist.com/news/ice-arrests-tripled-los-angeles-immigration-customs-enforcement-data>.

⁹ The Associated Press, "Appeals court keeps order blocking indiscriminate immigration sweeps," NPR (Aug. 2, 2025), <https://www.npr.org/2025/08/02/g-s1-80737/appeals-court-block-administration-immigration-sweeps>.

¹⁰ *Pedro Vasquez Perdomo v. Kristi Noem* (2025) 146 S. Ct. 1, 2025 U.S. LEXIS 2779. This unsigned per curiam decision included a brief concurrence by Justice Kavanaugh that stated that apparent ethnicity may be a relevant factor supporting reasonable suspicion to stop an individual and inquire about their immigration status, creating the now-infamous "Kavanaugh stop" that permits racial profiling in detentive stops by ICE or CBP.

The Trump Administration also has substantially increased immigration detention in the past year. It has asserted the power to detain virtually all immigrants indefinitely without review, despite the majority of courts repeatedly rejecting this assertion of authority.¹¹ This has meant an increasing number of individuals being detained for immigration enforcement, and for longer periods of time. As of February 2026, 68,289 individuals were in immigration detention, a 65 percent increase from February of last year.¹² In California, there are 6,459 individuals currently being detained in immigration detention facilities.¹³ Immigration detention centers have been plagued by reports of inadequate medical care, a lack of access to safe drinking water, inedible or spoiled food, the use of solitary confinement and extreme temperatures or 24-hour overhead lighting, poor and unsanitary amenities, overcrowding, and harassment and abuse.¹⁴

3. Draconian immigration policies significantly harm California communities

These immigration sweeps have had significant negative consequences on communities across the state. Schools across California and the nation are experiencing significant drops in school attendance as students and their families fear being stopped or questioned by immigration authorities at school.¹⁵ Faith institutions and religious groups also have seen substantial decreases in attendance at religious activities.¹⁶ The immigration raids in Los Angeles cost the region 625 million dollars in lost sales alone, thereby also affecting state and local tax revenues.¹⁷ Moreover, research has shown that many immigrant youth experience high levels of mental health conditions like anxiety, depression, and post-traumatic stress due to fears of immigration enforcement and separation from their family.¹⁸

¹¹ Kyle Cheney, "Our running list of judges who have ruled on ICE's mass detention policy," Politico (Feb. 18, 2026) https://www.politico.com/news/2026/02/18/trump-judges-immigration-detention-00784614?sp_pass_consent=true.

¹² TRAC Immigration, "ICE Detainees," TRAC Reports (accessed Mar. 30, 2026) https://tracreports.org/immigration/detentionstats/pop_agen_table.html.

¹³ *Id.*

¹⁴ *Id.*; Disability Rights California, "Newly Opened California City ICE Detention Facility: Dangerous for Disabled People" (Nov. 3, 2025) <https://www.disabilityrightsca.org/reports/california-city-ice-processing-center-a-dangerous-expansion-of-immigration-detention-in>; Muzaffar Chisti & Valerie Lacarte, "U.S. detention grows to record heights under Trump Administration," Migration Policy Institute (Oct. 29, 2025) <https://www.migrationpolicy.org/article/trump-immigrant-detention>.

¹⁵ Jasmine Garsd, "The prospect of immigration agents entering schools is sending shockwaves among communities," NPR (Feb. 4, 2025), <https://www.npr.org/2025/02/04/nx-s1-5277170/schools-ice-immigration>.

¹⁶ Democracy Forward, "Religious groups sue Trump administration over ICE enforcement in houses of worship," (Jan. 27, 2025), <https://democracyforward.org/work/legal/religious-groups-sue-trump-administration-over-ice-enforcement-in-houses-of-worship/>.

¹⁷ School of Social Ecology, "ICE enforcement cost L.A. region \$625M in lost sales," UC Irvine (Apr. 14, 2026) <https://socialecology.uci.edu/news/ice-enforcement-cost-la-region-625m-lost-sales>.

¹⁸ Randy Capps & Michael Fox, "How the fear of immigration enforcement affects the mental health of Latino youth," Migration Policy Institute (Dec. 2020), <https://www.migrationpolicy.org/news/how-fear-immigration-enforcement-affects-mental-health-latino-youth>.

4. AB 2465 would prohibit companies that invest in or profit from immigration enforcement from receiving state loans, grants, or tax credits

AB 2465 aims to prevent taxpayer funds from subsidizing the federal government's campaign of terror. Its basic premise is that, if a business chooses to profit off of immigration detention and enforcement, it should not receive state resources or support to do so. Specifically, AB 2465 prohibits a business that is directly invested in, owns, or manages a private detention facility, or that contracts with a private detention facility or agency conducting immigration enforcement, from receiving state-provided grants, loans, or tax credits. It exempts from this prohibition health care providers that contract with private detention facilities or agencies engaging in immigration enforcement to provide health care services for detained individuals, and exempts tax credits received through the Low-Income Housing Tax Credit (LIHTC).

AB 2465 also requires any state agency that administers a program to provide or that otherwise provides a grant or loan to screen applicants or eligible recipients of the grant or loan for ineligibility under AB 2465's prohibition. For any tax credit funds for which an entity is no longer eligible under AB 2465, it would require these funds to be deposited in a specified fund and be used for immigration-related services and programs.

AB 2465 is broad in scope. It would cover when a business "invests in" private detention facilities, which it would define as entities that own at least five percent of a private detention facility or operator, and includes in the definition of "owner" an entity that owns or leases the building or land on which a private detention facility operates.

5. Constitutional questions raised by AB 2465

Under the supremacy clause of the U.S. Constitution, federal law is the "supreme law of the land." (U.S. Const. Art. VI, Cl. 2.). Because of this, state laws that conflict with federal law are preempted by the federal law. In addition, the intergovernmental immunities doctrine, which is derived from the supremacy clause, prohibits a state from interfering with the federal government's authority. Under this doctrine, states may not directly regulate the federal government or discriminate against it. (*North Dakota v. U.S.* (1990) 495 U.S. 423, 435.) To determine whether a state law discriminates against the federal government, courts consider whether the state law singles out the federal government for unfavorable treatment or treats a non-federal government actor better than it does the federal government. (*U.S. v. California* (2019) 921 F.3d 865, 886.) Under the supremacy clause, the Ninth circuit found that California's law prohibiting privately owned detention facilities from operating in the state was unconstitutional. (*Geo Group, Inc. v. Newsom* (2022) 50 F.4th 745.)

On the opposite side of the Supremacy Clause is the “anti-commandeering” doctrine derived from the states’ rights under the Tenth Amendment. The anti-commandeering doctrine prohibits the federal government from requiring state officials to enforce federal laws or use state resources to carry out federal priorities.¹⁹ Under the anti-commandeering doctrine, the state can clearly refuse to cooperate with the federal government’s immigration raids and immigration enforcement efforts. When the federal government uses or occupies state property, it is requiring the state to utilize its own property that is lawfully within the state’s control to carry out the federal government’s functions. Therefore, the anti-commandeering doctrine protects the state’s decision not to provide its resources for federal immigration enforcement. Moreover, while immigration law is within the authority of the federal government, the states have broad police powers to regulate within their borders for the public health, safety, and general welfare. It was under these principles that the Ninth Circuit upheld California’s SB 54 (De Leon, Ch. 495, Stats. 2017) that limited the use of a local law enforcement agency’s resources for immigration enforcement. (*United States v. California* (2019) 921 F.3d 865; *United States v. California* (2020) 141 S. Ct. 124.)

While it is difficult to predict how a court would rule given these competing legal doctrines, AB 2465 raises questions regarding both the intergovernmental immunities doctrine and the anti-commandeering doctrine. Any challenge to AB 2465 would likely be a case of first impression for the courts, and thus whether this is ultimately upheld or struck down is as-of-yet unclear and a question for the courts.

6. Amendments

The author previously agreed to amendments before the Senate Revenue and Taxation Committee that specify that its provisions making certain taxpayers ineligible for tax credits or carryover apply to any taxpayer that is part of a publicly traded company with a market capitalization exceeding \$150 billion that contracts with a private detention facility or agency engaging in immigration enforcement. The amendments also add various definitions related to those provisions. Because of timing, those amendments will be taken in this Committee. A complete mock-up is attached at the end of this analysis.

7. Arguments in support

According to the California Immigrant Policy Center and PICO California, which are the sponsors of AB 2465, and a broad coalition of support:

California is home to the largest immigrant population in the United States: 1 in 4 Californians are immigrants, and nearly half of all children in the State live in

¹⁹ See *United States v. California* (2019) 921 F.3d 865; *United States v. California* (2020) 141 S. Ct. 124 (upholding California’s SB 54 (De Leon, Ch. 495, Stats. 2017) under the anti-commandeering doctrine).

immigrant families. However, Californians are witnessing continued patterns of aggressive, militarized, and unlawful federal immigration enforcement actions as well as a drastic increase in detention, including indiscriminate arrests and mass raids, Constitutional violations at the hands of federal immigration officials, and an increase in mandatory detention. Mass detention and immigration enforcement are threatening the health and safety of all Californians, destabilizing families and communities. Families are being separated, an entire generation of children are being traumatized, many pregnant patients are skipping prenatal medical visits out of fear, workplaces are being disrupted, and school attendance is down in areas with high immigrant populations.

Despite the damaging human toll of these actions, some corporations operating in California are generating billions in profits from the suffering of our communities and continue to receive state tax credits, grants and loans. For example, private detention facility owners and operators reported a 13%, or \$2 billion, increase in profits in 2025 than in prior years¹ due to an increased amount of people detained across the country. Additionally, a report recently released by Good Jobs First² found that in 2025, California companies received more than \$3 billion dollars worth of contracts with Immigration and Customs Enforcement (ICE). The report also notes that most contractors with ICE have extensive records of regulatory violations and legal settlements. Despite these poor business practices, many of those companies continue to receive contracts with the federal government and profit billions off of immigration enforcement and detention.

California has long maintained that public funds should not support industries or business practices that undermine the state's values, including accountability in private detention facilities and the protection of all people's civil and constitutional rights. AB 2465 ensures that precious state taxpayer dollars are not used to subsidize business practices that conflict with California's values or that support and further the detention and deportation of Californians. It also establishes the Due Process for All Fund to fund immigrant-related services and programs. AB 2465 makes it clear that the State has authority over how its business benefits operate and a responsibility to protect California's resources from being used to support unlawful federal immigration enforcement and detention.

8. Arguments in opposition

According to the California Chamber of Commerce and others in opposition to AB 2465:

AB 2465 essentially attempts to punish any company who does any of the following: (1) "contracts with ... a[n] agency engaging in immigration enforcement ..."; (2) "invest[s] in, owns, manages, or profits from a private detention facility;" or (3) "contracts with a private detention facility".

Any company who enters into any contracts (or “profits from” such facilities) as described above, loses all “state provided grant[s], loan[s], or tax credit...” for the taxable year.

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).

Despite AB 2465 not clearly identifying what federal agencies are “off-limits” or what contracts would trigger its harsh penalties, AB 2465 places the onus on the covered business to declare whether or not it has had such a contract in filing its taxes.

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 subsidies, grants, loans, or any tax credits. This is a terrifyingly powerful sanction in light of how little the bill does to clearly define what conduct is “off-limits”. [...]

AB 2465’s overbroad terms mean that any contract with an undefined list of federal agencies – no matter how mundane – will trigger a loss of benefits and credits. And by removing the tax credits and subsidies that help counterbalance California’s high cost of doing business, AB 2465 will make it even harder for businesses to continue to operate in California. [...]

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.

SUPPORT

California Immigrant Policy Center (co-sponsor)

PICO California (co-sponsor)

American Federation of State, County and Municipal Employees (AFSCME) California
American Federation of State, County and Municipal Employees Local 3299

A New PATH (Parents for Addiction Treatment & Healing)

A New Way of Life Reentry Project

AAPI Force

ACCESS REPRODUCTIVE JUSTICE

Al Otro Lado

Alianza Sacramento

Alliance for a Better Community
Alliance San Diego
Asian Prisoner Support Committee
Bend the Arc: California
Buen Vecino
Building Skills Partnership (BSP)
California Coalition for Women Prisoners
California Coalition for Rural Housing
California Community Foundation
California Coverage & Health Initiatives (CCHI)
California Faculty Association
California Federation of Labor Unions, AFL-CIO
California Federation of Teachers AFL-CIO
California Healthy Nail Salon Collaborative
California Immigration Project
California Latinas for Reproductive Justice
California National Organization for Women (CA NOW)
California Native Vote Project
California Religious Action Center of Reform Judaism (RAC-CA)
California Rural Legal Assistance Foundation
California State Legislative Board of the Smart - Transportation Division
California Teachers Association
Californians United for a Responsible Budget (CURB)
Canal Alliance
Center for Human Rights and Constitutional Law
Central American Resource Center of California (CARECEN-LA)
Central Valley Immigrant Integration Collaborative
Communities United for Restorative Youth Justice
Community Action Board of Santa Cruz County, Inc. (CAB)
Congregations Organized for Prophetic Engagement (COPE)
Courage California
Democratic Socialists of America - Los Angeles
Disability Rights California
Empowering Marginalized Asian Communities
End Child Poverty California
Ensuring Opportunity Contra Costa
Episcopal Diocese of San Joaquin
Esperanza Community Housing
Friends Committee on Legislation of California
Harbor Institute for Immigrant & Economic Justice
Haywood Burns Institute
Health in Partnership
Healthy Contra Costa
Housing Authority of the County of Santa Barbara

Housing California
Immigrant Defenders Law Center
Immigrant Justice in Action Coalition (IJAC)
Immigrant Legal Defense
Immigrant Legal Resource Center (ILRC)
Indivisible Alta-Pasadena
Indivisible CA: StateStrong
Indivisible San Francisco
Inland Coalition for Immigrant Justice
Interfaith Movement for Human Integrity
Justice2Jobs Coalition
La Defensa
Labor Community Strategy Center
Local Progress California
Majdal: Arab Community Center of San Diego
Moreno Institute
New Light Wellness
Non-Profit Housing Association of Northern California
ORALE: Organizing Rooted in Abolition Liberation and Empowerment
Orange County Equality Coalition
Pacifica Social Justice
Pilipino Workers Center of Southern California
PowerCA Action
Public Counsel
Public Interest Law Project
SALVA
San Bernardino Community Service Center, Inc.
San Diego Refugee Communities Coalition
Secure Justice
Service Employees International Union California
Services, Immigrant Rights and Education Network (SIREN)
South Asian Network
South Bay People Power
Southeast Asia Resource Action Center (SEARAC)
Street Level Health Project
Thai Community Development Center (Thai CDC)
The California LGBTQ Health and Human Services Network
The Kennedy Commission
The San Diego LGBT Community Center
UnCommon Law
UDW/AFSCME Local 3930
The Unity Council
Universidad Popular
Western Center on Law & Poverty

Working Partnerships USA
Youth Leadership Institute
Unidos 805
805 Undocufund

OPPOSITION

Acclamation Insurance Management Services
Allied Managed Care
American Petroleum and Convenience Store Association
Associated General Contractors, California
Associated General Contractors-san Diego Chapter
Calbroadband
California Bankers Association
California Chamber of Commerce
California Construction and Industrial Materials Association
California Taxpayers Association (CALTAX)
California Trucking Association
California's Credit Unions
Construction Employers' Association
Flasher Barricade Association
National Electrical Contractors Association (NECA)
Screen Credits Ltd. Liability Co.
Software & Information Industry Association
TechCA
TechNet
United Contractors (UCON)

RELATED LEGISLATION

Pending Legislation:

SB 1367 (Cervantes, 2026) prohibits a city or county from approving new land uses or changes of use that permit a detention facility, as specified. SB 1367 is currently pending in the Assembly Local Government Committee.

AB 1807 (Gabriel, 2026) prohibits the use of state-owned property for immigration enforcement purposes, requires the Department of General Services to identify and post signage upon state-owned properties that have been used, or likely will be used, for immigration enforcement, and requires state agencies to create policies to ensure the documentation of any attempts or actual uses of state-owned property for immigration enforcement, and as well as various related provisions. AB 1807 is currently pending before this Committee and will be heard on the same day as this bill.

Prior Legislation:

AB 32 (Bonta, Ch. 739, Stats. 2019) prohibited, on or after January 1, 2020, the Department of Corrections and Rehabilitation from entering into or renewing a contract with a private, for-profit prison to incarcerate state prison inmates, and prohibited any person from operating a private detention facility in the state. AB 32's prohibition on private detention facilities was subsequently struck down as unconstitutional. (*GEO Group, Inc. v. Newsom* (2022) 50 F.4th 745.)

SB 54 (De Leon, Ch. 495, Stats. 2017) prohibited state and local law enforcement agencies from using money or personnel to investigate, interrogate, detain, detect, or arrest individuals for immigration enforcement purposes, among other provisions.

SB 29 (Lara, Ch. 494, Stats. 2017) prohibited a city, county, city and county, or a local law enforcement agency from entering into a contract to detain noncitizens for immigration custody, and prohibited a city or county from approving or signing a deed or other document to convey land or issue a permit for the construction or reuse of a building to house or detain noncitizens for immigration proceedings unless it has provided specified notice to the public and solicited and heard public comments regarding the proposed detention facility.

PRIOR VOTES:

Senate Revenue and Taxation Committee (Ayes 4, Noes 0)

Assembly Floor (Ayes 55, Noes 20)

Assembly Appropriations Committee (Ayes 11, Noes 4)

Assembly Revenue and Taxation Committee (Ayes 5, Noes 2)

Assembly Judiciary Committee (Ayes 9, Noes 3)

Amendments Mock-up for 2025-2026 AB-2465 (Ortega (A))

*******Amendments are in BOLD*******

Mock-up based on Version Number 96 - Amended Senate 6/17/26

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Chapter 17.6 (commencing with Section 7300) is added to Division 7 of Title 1 of the Government Code, to read:

CHAPTER 17.6. No Taxpayer Dollars For Family Separation

7300. *(a) Notwithstanding any other law, in any year in which a business entity is directly invested in, owns, ~~manages, or profits from~~ or manages a private detention facility or contracts with a private detention facility or agency engaging in immigration enforcement, that business entity shall be ineligible to receive any state-provided grant, loan, or tax credit as described in Section 17137 or 23637 of the Revenue and Taxation Code. Code other than with respect to tax credits received by any direct or indirect partner or member of a nonprofit sponsored venture to which a taxpayer has made a direct or indirect loan or capital contribution or tax credits allowed under Section 12206, 17058, or 23610.5 of the Revenue and Taxation Code directly or indirectly purchased from a nonprofit housing sponsor.*

(b) This chapter shall not apply to a provider of health care, as defined in subdivision (p) of Section 56.05 of the Civil Code, that contracts with a private detention facility or agency engaging in immigration enforcement for the purpose of providing health care services for injured or ill individuals detained by, or whose care is the financial responsibility of, an agency engaging in immigration enforcement.

7300.1. For purposes of this chapter, the following definitions apply:

(a) “Agency engaging in immigration enforcement” means any out-of-state agency or federal agency that engages in arresting, detaining, transporting, or deporting individuals pursuant to federal immigration law.

(b) “Business entity” has the same definition as that term is defined in Section 82005.

(c) “Immigration enforcement” has the same definition as that term is defined in Section 7284.4.

(d) “Invests in” means an entity that owns at least 5 percent of a private detention facility or private detention facility operator.

(e) “Manages” means an entity that the owner contracts with to control the daily operations of a private detention facility or private detention facility operator.

(f) “Nonprofit housing sponsor” has the same meaning as that term is defined in Section 50091 of the Health and Safety Code.

(g) “Nonprofit sponsored venture” means a limited partnership or a limited liability company where a nonprofit housing sponsor or an entity wholly owned by a nonprofit housing sponsor is designated as the managing general partner of the partnership or managing member of the limited liability company.

(f)

(h) “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.

(g)

(i) “Private detention facility” and “private detention facility operator” have the same meanings as those terms are defined in Section 7320.

7300.2. Any state agency that administers a program to provide or that otherwise provides a grant or loan shall screen applicants or otherwise eligible recipients of that grant or loan, to determine whether they are an ineligible entity as described in Section 7300.

7300.3. (a) The Due Process for All Fund is hereby created in the State Treasury.

(b) Upon receiving an estimate described in subdivision (f) of Section 17137 or 23637 of the Revenue and Taxation Code, the Controller shall transfer an amount equal to that estimate from the General Fund to the Due Process for All Fund.

(c) Moneys in the fund shall be available, upon appropriation by the Legislature, for purposes of immigration-related services and programs within the state.

(d) An appropriation of moneys from the fund shall not be used as justification for reducing, eliminating, or failing to increase other appropriations for immigration-related services and programs and shall not be used to supplant existing state funds for immigration-related services and programs.

SEC. 2. Section 17137 is added to the Revenue and Taxation Code, to read:

17137. (a) (1) Notwithstanding any other law, for taxable years beginning on or after January 1, 2027, in which a ~~business entity taxpayer~~ is directly invested in, owns, ~~manages, or profits from~~ or manages a private detention facility or **that is part of a publicly traded company with a market capitalization, measured by the total value of its outstanding shares as of October 1, 2026, or measured on any date in a taxable year beginning on or after January 1, 2027, or measured at any date in a taxable year beginning on or after January 1, 2027, for any company that is not publicly traded as of October 1, 2026, that exceeds \$150 billion that**

contracts with a private detention facility or agency engaging in immigration enforcement **to provide covered services as defined by subsection (b)**, that ~~business entity~~ taxpayer shall be ineligible to claim any credit allowed, and shall be ineligible to claim any carryover for any credit previously allowed, under this part for that taxable year.

(2) This section shall not apply to ~~the credits provided under Section 19002~~. any of the following:

(A) Tax credits received by any direct or indirect partner or member of a nonprofit sponsored venture to which the taxpayer has made a direct or indirect loan or capital contribution.

(B) Any low-income housing tax credit allowed pursuant to Section 12206, 17058, or 23610.5 **that was originally issued to** ~~and directly or indirectly purchased from~~ a nonprofit housing sponsor **or nonprofit sponsored venture**.

(C) The credits provided under Section 19002.

(3) This section shall not apply to a provider of health care, as defined in subdivision (p) of Section 56.05 of the Civil Code, that contracts with a private detention facility or agency engaging in immigration enforcement for the purpose of providing health care services for injured or ill individuals detained by, or whose care is the financial responsibility of, an agency engaging in immigration enforcement.

(b) For purposes of this section, the following definitions apply:

(1) “Agency engaging in immigration enforcement” means any out-of-state agency or federal agency that engages in arresting, detaining, transporting, or deporting individuals pursuant to federal immigration law.

~~(2) “Business entity” has the same definition as that term is defined in Section 82005 of the Government Code.~~

~~(3)~~

(2) “Covered services” means detention, transportation, custody, or deportation services and includes providing software, information technology, surveillance equipment and technology, data analytics, artificial intelligence, applications, trainings for officers engaging in immigration enforcement, weapons, and digital systems or platforms used and specifically contracted for to support immigration enforcement.

~~(2)~~ **(3)** “Immigration enforcement” has the same definition as that term is defined in Section 7284.4 of the Government Code.

~~(4)~~

~~(3)~~ **(4)** “Invests in” means an entity that owns at least 5 percent of **the ownership shares or interests of** a private detention facility or private detention facility operator. **“Invests in” does**

not include holdings in a custodial, fiduciary, or similar capacity where the business entity does not have discretionary authority to select the issuer or direct the investment, including passive index-tracking strategies.

(5)

(4) (5) “Manages” means an entity that the owner contracts with to control the daily operations of a private detention facility or private detention facility operator.

(5) (6) “Nonprofit housing sponsor” has the same meaning as that term is defined in Section 50091 of the Health and Safety Code.

(6) (7) “Nonprofit sponsored venture” means a limited partnership or a limited liability company where a nonprofit housing sponsor or an entity wholly owned by a nonprofit housing sponsor is designated as the managing general partner of the partnership or managing member of the limited liability company.

(6)

(7) (8) “Owns” means an entity that owns at least 5 percent of **the ownership shares or interests 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. **“Owns” does not include ownership interests held solely on behalf of clients in a custodial, fiduciary, or similar capacity.**

(7)

(8) (9) “Private detention facility” and “private detention facility operator” have the same meanings as those terms are defined in Section 7320 of the Government Code.

(c) The Franchise Tax Board shall require a taxpayer to declare whether they are an entity ineligible to claim credits pursuant to subdivision (a) for that taxable year in a form and manner prescribed by the board.

(d) The carryover period for any credit carried over from a prior year that is not allowed to be claimed due to the application of this section shall be increased by one taxable year, only for the first taxable year during which they are not allowed to claim the credit by application of this section. Any credits not claimed within the allowed time shall be included in the estimate the Franchise Tax Board provides to the Controller in subdivision (f).

(e) The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) shall not apply to any standard, criterion, procedure, determination, rule, notice, guideline, or any other guidance established or issued by the board pursuant to this section.

(f) (1) On or before July 1, 2029, and on or before July 1 annually thereafter, the board shall estimate the amount of tax collected, attributable to ~~business entities~~ taxpayers being made

ineligible for tax credits by this section, for the taxable year that is two years prior and shall report that estimate to the Controller.

(2) The disclosure provisions of this subdivision shall be treated as an exception to Section 19542.

SEC. 3. Section 23637 is added to the Revenue and Taxation Code, to read:

(a) (1) Notwithstanding any other law, for taxable years beginning on or after January 1, 2027, in which a ~~business entity taxpayer~~ is directly invested in, owns, ~~manages, or profits from or manages~~ a private detention facility or **that is part of a publicly traded company with a market capitalization, measured by the total value of its outstanding shares as of October 1, 2026, or measured on any date in a taxable year beginning on or after January 1, 2027, or measured at any date in a taxable year beginning on or after January 1, 2027, for any company that is not publicly traded as of October 1, 2026, that exceeds \$150 billion that** contracts with a private detention facility or agency engaging in immigration enforcement **to provide covered services as defined by subsection (b),** that ~~business entity taxpayer~~ shall be ineligible to claim any credit allowed, and shall be ineligible to claim any carryover for any credit previously allowed, under this part for that taxable year.

(2) This section shall not apply to ~~the credit allowable for estimated tax paid pursuant to Section 19023;~~ any of the following:

(A) Tax credits received by any direct or indirect partner or member of a nonprofit sponsored venture to which the taxpayer has made a direct or indirect loan or capital contribution.

(B) Any low-income housing tax credit allowed pursuant to Section 12206, 17058, or 23610.5 **that was originally issued to** ~~and directly or indirectly purchased from a nonprofit housing sponsor~~ **or nonprofit sponsored venture.**

(C) The credit allowed for estimated tax paid under Section 19023.

(3) This section shall not apply to a provider of health care, as defined in subdivision (p) of Section 56.05 of the Civil Code, that contracts with a private detention facility or agency engaging in immigration enforcement for the purpose of providing health care services for injured or ill individuals detained by, or whose care is the financial responsibility of, an agency engaging in immigration enforcement.

(b) For purposes of this section, the following definitions apply:

(1) “Agency engaging in immigration enforcement” means any out-of-state agency or federal agency that engages in arresting, detaining, transporting, or deporting individuals pursuant to federal immigration law.

(2) ~~“Business entity” has the same definition as that term is defined in Section 82005 of the Government Code.~~

(3)

(2) “Covered services” means detention, transportation, custody, or deportation services and includes providing software, information technology, surveillance equipment and technology, data analytics, artificial intelligence, applications, trainings for officers engaging in immigration enforcement, weapons, and digital systems or platforms used and specifically contracted for to support immigration enforcement.

~~(2)~~ **(3)** “Immigration enforcement” has the same definition as that term is defined in Section 7284.4 of the Government Code.

(4)

~~(3)~~ **(4)** “Invests in” means an entity that owns at least 5 percent of **the ownership shares or interests of** a private detention facility or private detention facility operator. **“Invests in” does not include holdings in a custodial, fiduciary, or similar capacity where the business entity does not have discretionary authority to select the issuer or direct the investment, including passive index-tracking strategies.**

(5)

~~(4)~~ **(5)** “Manages” means an entity that the owner contracts with to control the daily operations of a private detention facility or private detention facility operator.

~~(5)~~ **(6)** “Nonprofit housing sponsor” has the same meaning as that term is defined in Section 50091 of the Health and Safety Code.

~~(6)~~ **(7)** “Nonprofit sponsored venture” means a limited partnership or a limited liability company where a nonprofit housing sponsor or an entity wholly owned by a nonprofit housing sponsor is designated as the managing general partner of the partnership or managing member of the limited liability company.

(6)

~~(7)~~ **(8)** “Owns” means an entity that owns at least 5 percent of **the ownership shares or interests 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. **“Owns” does not include ownership interests held solely on behalf of clients in a custodial, fiduciary, or similar capacity.**

(7)

~~(8)~~ **(9)** “Private detention facility” and “private detention facility operator” have the same meanings as those terms are defined in Section 7320 of the Government Code.

(c) A taxpayer ineligible for a credit under this section in a taxable year shall not assign any credit to an eligible assignee pursuant to Section 23663.

(e) ~~(d)~~ The Franchise Tax Board shall require a taxpayer to declare whether they are an entity ineligible for credits pursuant to subdivision (a) for that taxable year in a form and manner prescribed by the board.

~~(d)~~ ~~(e)~~ The carryover period for any credit carried over from a prior year that is not allowed to be claimed due to the application of this section shall be increased by one taxable year, only for the first taxable year during which they are not allowed to claim the credit by application of this section. Any credits not claimed within the allowed time shall be included in the estimate the Franchise Tax Board provides to the Controller in subdivision (f).

~~(e)~~ ~~(f)~~ The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) shall not apply to any standard, criterion, procedure, determination, rule, notice, guideline, or any other guidance established or issued by the board pursuant to this section.

~~(f)~~ ~~(g)~~ (1) On or before July 1, 2029, and on or before July 1 annually thereafter, the board shall estimate the amount of tax collected, attributable to ~~business entities~~ *taxpayers* being made ineligible for tax credits by this section, for the taxable year that is two years prior and shall report that estimate to the Controller.

(2) The disclosure provisions of this subdivision shall be treated as an exception to Section 19542.