

Date of Hearing: June 17, 2026

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

SB 1400 (Arreguín) – As Amended April 27, 2026

SENATE VOTE: 33-1

SUBJECT: Alameda Health System: hospital authority.

SUMMARY: Makes numerous changes to laws pertaining to the Alameda Health System (AHS). Specifically, **this bill:**

- 1) Defines “board of supervisors” to mean the board of supervisors of Alameda County.
- 2) Allows the board of supervisors to amend AHS’s enabling ordinance.
- 3) Specifies that AHS’s enabling ordinance shall allow the membership of the governing board to include, with approval of the board of supervisors, a representative of any local public entity that contributes financial or other support to AHS pursuant to a joint powers agreement or other affiliation agreement.
- 4) Provides that, notwithstanding any other law, at the board of supervisor’s discretion and as specified in the enabling ordinance, the governing board may consist entirely of the members of the board of supervisors or may include any number of the members of the board of supervisors or county officers or employees appointed to represent the interests of the county.
- 5) Authorizes the governing board to delegate day-to-day operational responsibilities to one or more subsidiary bodies it establishes, consisting of members possessing relevant expertise. That delegation shall involve reasonable safeguards to ensure that the governing board retains ultimate control over AHS, consistent with applicable law.
- 6) Specifies that, following the initial transfer by the county to AHS of the medical center, as defined, AHS may affiliate with, or acquire ownership or control of, additional public or private hospitals, clinics, or programs to further its mission, at the discretion of the governing board.
- 7) Provides that the provisions of law establishing AHS do not prohibit the board of supervisors from establishing, through bylaws or ordinances, mechanisms for integrating the county’s interests in fulfilling its obligations as the provider of last resort, as specified in existing law, into AHS decisions.
- 8) Clarifies that the rights and duties with respect to hospitals owned or operated by a county that are conferred with a transfer of control or ownership to AHS include the privileges, exemptions, preferences, and authority of a county with respect to owning, operating, and providing coverage and services through hospitals, clinics, and other health facilities, health programs, care organizations, physicians and physicians practice plans, delivery systems, health care service plans, and other provider types and coverage mechanisms.
- 9) Permits AHS to carry on its activities through one or more corporations, joint ventures, or partnerships, consistent with specified provisions of existing law. At the discretion of its

governing body, and when not inconsistent with the bylaws adopted by the board of supervisors, the hospital authority may maintain the private character of any private hospitals, clinics, and other health care facilities for which it assumes control or with which it affiliates.

- 10) Provides that, notwithstanding state conflict of interest or incompatible office laws, members of the AHS board or its staff are not engaged in activities inconsistent, incompatible, or in conflict with their duties to either the hospital authority, the county, or any other local public entity as a result of employment or affiliation with the other.
- 11) Permits the board of supervisors to change the composition of the AHS governing board, or to revoke the duties and responsibilities of AHS and transfer the hospital authority back to the county.
- 12) Prohibits the inclusion of members of the board of supervisors or county employees on the AHS governing board from being a basis to determine that AHS is not an independent entity or that AHS has not obtained the administration, management, and control of the medical center.
- 13) Makes other technical and clarifying changes.

EXISTING LAW:

- 1) Authorizes the Alameda County Board of Supervisors to establish a hospital authority separate and apart from the county for the purpose of effecting a transfer of the management, administration, and control of the medical center. [Health and Safety Code (HSC) § 101850]
- 2) Requires AHS to be governed by a board appointed by the County Board. This AHS governing board shall reflect both the expertise necessary to maximize the quality and scope of care at the medical center in a fiscally responsible manner and the diverse interest that the medical center serves. The enabling ordinance shall specify the membership of the AHS governing board, the qualifications for individual members, the manner of appointment, selection, or removal of governing board members, their terms of office, and all other matters that the County Board deems necessary or convenient for the conduct of AHS's activities. (HSC § 101850)
- 3) Specifies that AHS shall be a legal entity separate and apart from the county. AHS shall be a government entity separate and apart from the county, and shall not be considered to be an agency, division, or department of the county. AHS shall not be governed by, nor be subject to, the charter of the county and shall not be subject to policies or operational rules of the county, including, but not limited to, those relating to personnel and procurement. (HSC § 101850)
- 4) A contract executed by and between the county and AHS shall provide that liabilities or obligations of AHS with respect to its activities pursuant to the contract shall be the liabilities or obligations of AHS, and shall not become the liabilities or obligations of the county. (HSC § 101850)
- 5) Establishes the following powers for AHS:

- a) To acquire and possess real or personal property.
- b) To sue or be sued.
- c) To employ personnel.
- d) To contract for services required to meet its obligations. (HSC § 101850)

FISCAL EFFECT: None.

COMMENTS:

1) **Bill Summary.** This bill makes numerous changes to laws that govern AHS. Specifically, this bill provides that Alameda County may amend AHS's enabling ordinance and requires the enabling ordinance to allow the membership of the governing board to include, with approval of the Alameda County board of supervisors, any local entity that contributes financial or other support to AHS, members of the board of supervisors, or Alameda County officers or employees. This bill also allows the governing board to delegate day-to-day operational responsibilities to one or more subsidiary bodies it establishes and authorizes AHS to affiliate with, or acquire ownership or control of, additional public or private hospitals, clinics, or programs to further its mission. Lastly, this bill provides that, notwithstanding state conflict of interest or incompatible office laws, members of the AHS board are not engaged in activities inconsistent, incompatible, or in conflict with their duties to either the hospital authority, the county, or any other local public entity as a result of employment or affiliation with the other. Alameda County is the sponsor of this bill.

2) **Author's Statement.** According to the Author, "Under current law, Alameda Health System has a unique governance structure that provides for a health system board of trustees appointed by the Board of Supervisors.

"The Alameda County Board of Supervisors previously transferred management and operational control of AHS to an independent hospital authority under Health & Safety Code Section 101850. This structure was intended to improve efficiency, effectiveness, and fiscal stability while preserving the County's obligation to provide indigent care.

"Following a multi-session review process conducted by an Ad Hoc Committee on AHS Governance, the Board and community stakeholders identified gaps in the current governing authority and delegation of operational responsibilities. The proposed statutory amendments reflect the Ad Hoc Committee's determination that added flexibility would provide the Board with more direct involvement in key and targeted issues that impact AHS, such as labor relations and personnel."

3) **Incompatible Office Law.** SB 274 (Romero, 2005) codified the common law rule against public officials holding incompatible offices. Incompatible office law generally prohibits a public officer, including, but not limited to, an appointed or elected member of a governmental board, commission, committee, or other body from simultaneously holding two public offices that are incompatible. A public office is incompatible when any of the following circumstances are present:

- Either of the offices may audit, overrule, remove members of, dismiss employees of, or exercise supervisor powers over the other office or body.
- Based on the powers and jurisdiction of the offices, there is a possibility of a significant clash of duties or loyalties between the offices.
- Public policy considerations make it improper for one person to hold both offices.

Notwithstanding these circumstances, state law can expressly authorize the simultaneous holding of the particular offices. When a public officer takes on a second office that is incompatible, state law deems they forfeit the first office.

- 4) **Conflict of Interest Laws.** In addition to common law, California state and local officials who negotiate, make, or vote on public contracts are subject to two main conflicts of interest laws: Section 1090 et seq. of the Government Code (known simply as “Section 1090”) and the Political Reform Act of 1974:
 - a) **Section 1090.** Section 1090 formalized the longstanding common law rule prohibiting public officials—including board members, officers, and employees—from having a personal financial interest in the contracts they participate in awarding while exercising their official capacities. Financial interest has been liberally interpreted by the courts and includes the property and income of a public official’s spouse. The consequences of violating Section 1090 are severe: a contract that runs afoul of the law is void, even if the affected official did not intend to receive a personal benefit. Willful violators can also face criminal penalties ranging from fines to prison time, plus a lifetime ban on holding public office.
 - b) **The Political Reform Act.** In 1974, California voters passed Proposition 9 to create the Political Reform Act (PRA), along with the Fair Political Practices Commission (FPPC), the agency tasked with enforcing the PRA through administrative and civil penalties. In 2013, the Legislature expanded the FPPC’s jurisdiction to include Section 1090 [AB 1090 (Fong), Chapter 650, Statutes of 2013]. The PRA is broader than Section 1090 because it prohibits any state or local public official from using his or her official position to influence any “governmental decision” in which the official has a financial interest. The PRA also applies to decisions that will have a material financial effect on a member of the official’s “immediate family,” which the Legislature has defined as a government official’s spouse or dependent children. The PRA supersedes most other conflict of interest laws, including Section 1090, in the case of an inconsistency. Public officials must therefore consider whether a conflict exists under either the PRA or Section 1090, or both.
- 5) **Alameda Health System.** Special legislation allowed Alameda County to form a public hospital authority, now known as AHS, to manage, administer, and control the ACMC [AB 2374 (Bates), Chapter 816, Statutes of 1996]. AHS is governed by a nine-member board of trustees appointed by the County Board and employs more than 4,5000 people, including 1,000 physicians. AHS has more than 800 beds at facilities throughout Alameda County providing inpatient and outpatient services, surgery, acute psychiatric care, trauma care, senior health services, and more. Major components of the countywide system include:
 - a) Highland Hospital.

- b) John George Psychiatric Hospital.
- c) Fairmont Hospital.
- d) San Leandro Hospital.
- e) Alameda Hospital.

AHS operates as a separate legal entity from the County and has 9-member board. The board also adopts bylaws related to the management of the medical center. Each county supervisor gets to make one appointment with majority board approval. One member has to represent medical staff, but the board of supervisors still approves their appointment. Board members serve three-year terms, and can serve no more than three consecutive terms. To avoid violations of incompatible office law, AHS's enabling legislation provides that a member of hospital administrative staff is not incompatible with their duties as an employee or affiliate with the County.

- 6) **Governance Ad Hoc Committee.** In 2020, Alameda County began internal discussions to explore reform of the AHS governance structure. This ultimately led to the formation of an Ad Hoc Subcommittee on AHS Governance, which began meeting in early 2022. The purposes of the Ad Hoc Committee was to review, discuss, and suggest the most effective financial accountability structure between AHS and the County, approaches to improving the effectiveness of governance oversight and transparency between AHS and the County, and identify potential changes to the AHS Permanent Agreement, including policy changes, that might be necessary.

In May of 2022, the Ad Hoc Committee presented two options, called Option A and Option B, to the Board of Supervisors. Under Option A, AHS would retain its status as a public hospital authority that is a legal entity separate from the County, but the Board of Supervisors would become the governing body of AHS with ultimate authority and responsibility over AHS, while still delegating certain operational responsibilities to the AHS Board of Trustees. Under Option B, AHS would also retain its status as a public hospital authority that is a legal entity separate from the County, but the AHS Board of Trustees composition would be modified to reflect more County government representation, potentially including County Supervisors and/or non-elected County officers. Under this bill, both Option A and Option B would be available to the Board of Supervisors, as this bill permits the Board of Supervisors to replace the entire AHS governing board with the Board of Supervisors, or to simply fill one or more of the AHS board positions with supervisors or county staff.

- 7) **Policy Considerations.** The Committee may wish to consider the following:
- a) **Would it Still be Independent?** When Alameda County ran Alameda County hospitals in the 1990s, changes in healthcare prompted budgetary challenges. Alameda County hoped that shifting services to an entity independent from the county would help address these budgetary concerns. Fast forward a couple of decades, and AHS faces another budgetary shortfall due in part to conditions outside of its control, including federal spending cuts. Now the board of supervisors is seeking the option to change its governance structure to allow it more control over AHS, seemingly shifting the pendulum back towards county control of AHS. Specifically, this bill would allow the board of supervisors, or county staff, to become all, or a portion, of the AHS board of directors.

This bill includes language to provide that such changes do not alter the independent character of AHS, However, this bill allows the board of supervisors to become the AHS board, the Committee may wish to consider if it might be difficult for AHS to maintain the same level of independence under this bill.

- b) **Incompatible Offices.** California Attorney General Edmund G. Brown Jr. issued an opinion (10-506, 2010) on exemptions to the incompatible office requirements, generally stating:

“As we have noted on many occasions, the incompatibility rule does not require an actual occurrence of divided loyalties, but looks to whether the circumstances may reasonably be said to present a substantial latent tension between the two offices. And a single possible clash suffices: Only one potential clash of duties or loyalties is necessary to make offices incompatible. Nor does the incumbent’s record or reputation or integrity cure the problem. Regardless of the motives or integrity of the office holder, he or she cannot hold two incompatible offices at once; for it is the nature of the offices, not the individuals, that determines the rule’s application. When two offices are inherently incompatible, an incumbent holding both can only perform the duties of one office by neglecting to perform the duties of the other. It is not for him to say in particular instance which he will perform and which he will not. The public has a right to know with certainty.”

In response to the Attorney General’s opinion, the Committee may wish to consider if this bill’s statutory exemption to incompatible office law is appropriate.

- 8) **Previous Legislation.** AB 2374 (Bates), Chapter 816, Statutes of 1996, authorized the County of Alameda to establish a hospital authority to manage the respective county hospitals and county programs currently known as the ACMC.

AB 1008 (Buchanan), Chapter 311, Statutes of 2013, prohibited, until January 1, 2024, AHS from privatizing services provided by physicians and surgeons, as specified, and established eligibility for retirement benefits for employees of a facility that is acquired or merged into AHS.

AB 1538 (Bonta), Chapter 263, Statutes of 2017, made changes to the statutes which govern conditions in which the AHS can privatize services provided by physicians and surgeons

AB 722 (Bonta), Chapter 269, Statutes of 2023, extended from January 1, 2024, to January 1, 2035, limitations on the Alameda Health System’s ability to contract with physicians and surgeons not subject to a collective bargaining agreement.

- 9) **Arguments in Support.** According to Alameda County, the sponsor of this bill, “Like many local jurisdictions, the Alameda Health System (our local hospital board) faces mounting fiscal pressures. Public health is in a crisis made more pronounced by HR 1 and the many Californians who will lose their health coverage and seek medical care from our public hospitals.

“However, these fiscal realities must be balanced fairly, including the many hard-working, diligent workers who serve these patients. Alameda County was granted a unique governance system years ago that allows our Board to appoint members to the Alameda Health System

board of trustees. At the time, the County sought to improve efficiency and effectiveness. But given the unprecedented times we find ourselves in, we believe we must update our local governance again. We convened an Ad Hoc Committee on local governance and how to best move forward with decisions that impact patients directly, labor relations, and personnel. SB 1400 is the product of these local discussions.

“SB 1400 allows the Board greater flexibility by allowing Supervisors or other county staff to sit on the Alameda Health System board. Given the significant impacts of these changes on those we have been elected to represent, we want to ensure we are more directly engaged in these discussions.

“The Alameda County Board of Supervisors recently adopted a strategic plan for the next decade known as Vision 2036, which aims to enrich the lives of residents through forward-thinking policies and accessible, responsive, and effective public services. The plan anticipates the County’s most pressing challenges and outlines shared priorities, including the vision of ‘Healthy for All.’ SB 1400 directly supports this goal by strengthening local governance and ensuring that the County can more effectively advance a thriving and resilient community while maintaining strong oversight of the systems that deliver critical health services to our residents.”

10) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Alameda County [SPONSOR]
Service Employees Internation Union (SEIU), California

Opposition

None on file

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958