

Date of Hearing: August 20, 2018

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT  
Cecilia Aguiar-Curry, Chair  
AB 653 (Cunningham) – As Amended June 21, 2018

**SUBJECT:** Joint powers agreements: County of Santa Barbara: nonprofit hospitals.

**SUMMARY:** Allows private, nonprofit hospitals in Santa Barbara County to enter into joint powers agreements with public agencies.

**The Senate amendments** delete the Assembly version of this bill, and instead:

- 1) Allow a private, nonprofit hospital in Santa Barbara County to enter into a joint powers agreement with a public agency, as defined.
- 2) Prohibit nonprofit hospitals and public agencies participating in an agreement entered into pursuant to this bill from reducing or eliminating any emergency services, as a result of that agreement, following the creation of the joint powers authority (JPA) without a public hearing by the JPA.
- 3) Require the JPA to provide public notice of the hearing specified in 2), above, to the communities served by the JPA not less than 14 days prior to the hearing, and require the notice to contain a description of the proposed reductions or changes.
- 4) Provide that this bill shall not be construed to grant any power to a nonprofit hospital that participates in an agreement authorized under this bill to levy any tax or assessment.
- 5) Specify that this bill shall not permit any entity, other than a nonprofit hospital corporation or a public agency, to participate as a party to an agreement authorized under this bill.
- 6) Find and declare that a special statute is necessary and that a general statute cannot be made applicable within the meaning of the California Constitution Article IV Section 16 because of the unique circumstances facing health care providers and nonprofit hospitals in Santa Barbara County.

**AS PASSED BY THE ASSEMBLY**, this bill exempted from taxation property that is owned by a federally recognized Native American tribe during the fee-to-trust application process with the United States Department of Interior, as specified.

**EXISTING LAW:**

- 1) Allows, pursuant to the Joint Exercise of Powers Act (JPA Act), two or more public agencies by agreement to jointly exercise any power common to the contracting parties, as specified, if authorized by their legislative or other governing bodies.
- 2) Authorizes private nonprofit hospitals in the counties of Contra Costa, El Dorado, Fresno, Kings, San Diego, Tulare and Tuolumne to enter into JPAs with public agencies.

**FISCAL EFFECT:** None

**COMMENTS:**

- 1) **Bill Summary.** This bill allows a private, nonprofit hospital in Santa Barbara County to enter into a joint powers agreement with a public agency. Nonprofit hospitals and public agencies that participate in such an agreement must not reduce or eliminate any emergency services as a result of the agreement without a public hearing by the JPA. The JPA must provide public notice of the hearing to the communities served by the JPA at least 14 days before the hearing, and the notice must contain a description of the proposed reductions or changes.

This bill provides that it shall not be construed to grant any power to a nonprofit hospital that participates in an agreement to levy any tax or assessment, and shall not permit any entity, other than a nonprofit hospital corporation or a public agency, to participate as a party to an agreement.

This bill is sponsored by Lompoc Healthcare District.

- 2) **Author's Statement.** According to the author, "Lompoc Valley Medical Center (a California Healthcare District) in collaboration with Cottage Health (a California nonprofit hospital), would like to develop a Joint Powers Agreement (JPA) to collaboratively provide access to healthcare services (primary care, urgent care and specialty care) in underserved areas in Santa Barbara County that are just outside the Lompoc Healthcare District boundary. According to the United State Census Bureau, while 8.3% of Californians under the age of 65 do not have health insurance, that number is higher in Santa Barbara County at 10.3%. According to a 2017 study by UC San Francisco, many areas around California, including the Central Coast, are expected to face acute healthcare services shortages in the next 15 years. The study estimated '...a shortfall of about 4,700 primary care clinicians in 2025 and a need for roughly 4,100 additional providers in 2030 to meet the expected population demand.' This bill will expand access to healthcare services in my district and the Santa Barbara region."

- 3) **Background.** Lompoc Healthcare District, also known as Lompoc Valley Medical Center, and Cottage Health would like to develop a JPA to collaboratively provide access to healthcare services such as primary care, urgent care and specialty care in underserved areas in Santa Barbara County that are just outside the Lompoc Healthcare District boundary. Lompoc Healthcare District opened the first healthcare district hospital in California. In addition to its 60-bed acute care hospital, the district operates a skilled rehabilitation and long-term care facility, a laboratory and imaging center, a surgical center, a counseling center, and other services. The district's boundaries encompass 463 square miles that include Lompoc, Mission Hills, Mesa Oaks, Vandenberg Village, a portion of Vandenberg Air Force Base, and the area east toward Buellton.

Cottage Health, a not-for-profit health system, owns five hospitals and numerous primary care and specialty clinics in the Santa Barbara region. In addition to the 450-bed Santa Barbara Cottage Hospital, Cottage Health also operates Goleta Valley Cottage Hospital, Cottage Rehabilitation Hospital, Santa Ynez Valley Cottage Hospital, and Cottage Children's Medical Center.

- 4) **JPA's.** JPAs have existed in California for nearly 100 years, and were originally created to allow multiple local governments in a region to pool resources to meet common needs. The JPA Act authorizes federal, state and local agencies to create and use a joint powers agreement, which is a legal document that allows the contracting parties to exercise powers that are common to all of the contracting parties. A joint powers agreement can be administered by one of the contracting agencies, or it can be carried out by a new, separate public entity called a JPA.

Joint powers agreements are an attractive tool for local governments because they facilitate more efficient service provision through collaboration, and they allow local entities to issue bonds without voter ratification. Public officials have created about 700 JPAs statewide.

There are a few, limited instances in JPA law allowing non-governmental entities to join a JPA with a public agency partner. Included among these are statutes allowing the formation of JPAs between private, nonprofit hospitals and public agencies in the following counties: Contra Costa, El Dorado, Fresno, Kings, San Diego, Tulare and Tuolumne.

- 5) **Arguments in Support.** Lompoc Healthcare District, sponsor of this measure, writes, "This bill authorizes nonprofit hospitals Santa Barbara Cottage Hospital (Cottage Hospital) and Lompoc Healthcare District to form a partnership for the purposes of opening primary and specialty care clinics in underserved parts of the region...The joint entity will contract with providers for the provision of professional services at a clinic or urgent care that would be jointly operated in underserved areas. Otherwise, Lompoc Valley Medical Center or Cottage Hospital would set up clinics independently. Most of these clinics lose money because of low payer volume. The JPA will be developed to minimize the losses for each organization and allow the community to be served."
- 6) **Arguments in Opposition.** None on file.
- 7) **Substantially Amended.** The provisions of this bill have not been heard in an Assembly policy committee this legislative session.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

Lompoc Healthcare District [SPONSOR]  
Cottage Health

##### **Opposition**

None on file

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