

SENATE THIRD READING  
SB 1400 (Arreguín)  
As Amended April 27, 2026  
Majority vote

## SUMMARY

Makes numerous changes to laws pertaining to the Alameda Health System (AHS).

### Major Provisions

- 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.

## COMMENTS

- 1) *Incompatible Office Law.* SB 274 (Romero) Chapter 254, Statutes of 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:
  - a) Either of the offices may audit, overrule, remove members of, dismiss employees of, or exercise supervisor powers over the other office or body.
  - b) Based on the powers and jurisdiction of the offices, there is a possibility of a significant clash of duties or loyalties between the offices.
  - c) Public policy considerations make it improper for one person to hold both offices.
  - d) 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.
- 2) *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.
- 3) *Alameda Health System*. Special legislation allowed Alameda County to form a public hospital authority, now known as AHS, to manage, administer, and control the Alameda County Medical Center (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.

- 4) *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.

### **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."

### **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."

### **Arguments in Opposition**

None on file.

### **FISCAL COMMENTS**

None.

### **VOTES**

#### **SENATE FLOOR: 33-1-6**

**YES:** Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

**NO:** Choi

**ABS, ABST OR NV:** Alvarado-Gil, Jones, Niello, Ochoa Bogh, Padilla, Seyarto

#### **ASM LOCAL GOVERNMENT: 10-0-0**

**YES:** Carrillo, Ta, Alanis, Pacheco, Fong, Ransom, Blanca Rubio, Stefani, Ward, Wilson

### **UPDATED**

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