PROPOSITION

44

REQUIRES COMMUNITY HEALTH CLINICS SPEND 90% OF REVENUE ON PROGRAM SERVICES. INITIATIVE STATUTE.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on page 153 and the Secretary of State's website at *voterguide.sos.ca.gov.*

- Imposes penalties on nonprofit Federally Qualified Health Centers (community clinics providing primary care to medically underserved areas and populations) that spend less than 90% of revenue on "program services" advancing their charitable purpose, including but not limited to patient services. Department of Public Health may waive spending requirements in exceptional circumstances.
- Authorizes Attorney General to publish guidance defining qualifying expenditures.
- Monetary penalties may be refunded if centers become compliant within five years.
- Authorizes criminal charges for false reports or artificially increasing spending ratio.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased state costs in the low tens of millions of dollars per year to enforce the new requirements on certain private nonprofit health care clinics, covered by fees charged to the affected clinics.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Safety Net Clinics Serve Low-Income People. Clinics are places where people can access certain health care services, such as doctor's visits. Many clinics are considered "safety net," as they mainly serve low-income and uninsured people. The care they provide is often low cost or free to patients. There are about 2,000 safety net clinics in California. Most are private nonprofits, and the rest are run by public entities (such as counties).

Clinics Spend Most of Their Revenue on Health Care Services. Clinics spend most of their revenue on providing health care to patients. They also have other expenses, such as administrative costs. Each year, private nonprofit safety net clinics in California report their revenues and expenses to the federal government and the state. These clinics currently report spending an average of about 80 percent of their revenue on providing health care services, though the percent varies across clinics.

PROPOSAL

Sets Minimum Spending on Health Care at Private Nonprofit Safety Net Clinics. Proposition 44 requires private nonprofit safety net clinics to spend at least 90 percent of their total revenue each year on providing health care services. This means that spending on other expenses, such as administrative costs, would be limited to

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

no more than 10 percent of revenue. The California Attorney General would define in more detail which kinds of expenses are related to providing health care services, and which are other expenses, using existing reports to the federal government as a starting point. Affected clinics could ask the state for a temporary waiver of the requirements in some cases.

Creates Penalty for Falling Short of Minimum. Proposition 44 requires affected clinics to pay a penalty to the state if they fall short of the new health care spending minimum. The penalty would equal the amount of spending needed to reach the 90 percent minimum. Clinics could get their money back if they comply with the spending requirements within five years. If clinics do not comply within five years, the state would keep the money and spend it on clinic workforce programs.

FISCAL EFFECTS

Creates State Enforcement Costs. Under Proposition 44, the state would enforce the new requirements on private nonprofit safety net clinics. This includes reviewing financial reports and investigating affected entities. State enforcement costs would be in the low tens of millions of dollars per year. The proposition directs the state to cover the costs by charging fees on affected clinics.

Could Have Other Uncertain Costs. Proposition 44 could create other costs for the state and local governments. These costs are uncertain. They depend on (1) how the state Attorney General would define health care-related expenses and (2) whether affected clinics would meet the spending minimum. For example, affected clinics might spend more on direct health care services to comply with the requirement, which could increase state costs. This is because some of these services would be for patients in Medi-Cal, the state's program that provides health care coverage for low-income Californians. Some clinics that could not meet the minimum spending requirement might close instead. This would create other uncertain effects on state and local costs.

Visit *sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2026-ballot-measure-contribution-totals* for a list of committees primarily formed to support or oppose this measure.

Visit *fppc.ca.gov/transparency/top-contributors.html* to access the committee's top 10 contributors.

For the full text of Proposition 44, see page 153.