

AMENDED IN ASSEMBLY APRIL 25, 2013

AMENDED IN ASSEMBLY APRIL 8, 2013

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 975

Introduced by Assembly Members Wieckowski and Bonta

February 22, 2013

An act to amend Sections 127280, 127400, and 129050 of, to add Chapter 2.6 (commencing with Section 127470) to Part 2 of Division 107 of, and to repeal Article 2 (commencing with Section 127340) of Chapter 2 of Part 2 of Division 107 of, the Health and Safety Code, ~~and to amend Section 214 of the Revenue and Taxation Code,~~ relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 975, as amended, Wieckowski. Health facilities community benefits.

Existing law makes certain findings and declarations regarding the social obligation of private nonprofit hospitals to provide community benefits in the public interest, and requires these hospitals, among other responsibilities, to adopt and update a community benefits plan for providing community benefits either alone, in conjunction with other health care providers, or through other organizational arrangements. Existing law requires each private nonprofit hospital, as defined, to complete a community needs assessment, as defined, and to thereafter update the community needs assessment at least once every 3 years. Existing law also requires the hospital to file a report on its community benefits plan and the activities undertaken to address community needs

with the Office of Statewide Health Planning and Development. Existing law requires the statewide office to make the plans available to the public. Existing law requires that each hospital include in its community benefits plan measurable objectives and specific benefits.

This bill would declare the necessity of establishing uniform standards for reporting the amount of charity care and community benefits a facility provides to ensure that private nonprofit hospitals and nonprofit multispecialty clinics actually meet the social obligations for which they receive favorable tax treatment, among other findings and declarations.

This bill would require a private nonprofit hospital and nonprofit multispecialty clinic, as defined, by January 1, 2015, to develop, in collaboration with the community, a community benefits statement, as specified, and a description of the process for approval of the community benefits statement by the hospital's or clinic's governing board, as specified. This bill would require the hospital or clinic, prior to adopting a community benefits plan, to complete a community needs assessment, as provided. The bill would authorize the hospital or clinic to create a community benefits advisory committee for the purpose of soliciting community input. This bill would require the hospital or clinic to make available to the public a copy of the assessment, file the assessment with the Office of Statewide Health Planning and Development, and update the assessment at least every 3 years.

This bill would also require a private nonprofit hospital and nonprofit multispecialty clinic, by April 1, 2015, to develop a community benefits plan that includes a summary of the needs assessment and a statement of the community health care needs that will be addressed by the plan, and list the services, as provided, that the hospital or clinic intends to provide in the following year to address community health needs identified in the community health needs assessments. The bill would require the hospital or clinic to make its community health needs assessment and community benefits plan or community health plan available to the public on its Internet Web site and would require that a copy of the assessment and plan be given free of charge to any person upon request.

This bill would require a private nonprofit hospital or nonprofit multispecialty clinic, after April 1, 2015, every 2 years to revise and submit its community benefits plan to the Office of Statewide Health Planning and Development, as specified, and would allow a hospital or clinic under the common control of a single corporation or other

entity to file a consolidated plan, as provided. The bill would require that the governing board of each hospital or clinic adopt the community benefits plan and make it available to the public, as specified.

This bill would require the Office of Statewide Health Planning and Development to develop and adopt regulations to prescribe a standardized format for community benefits plans, as provided, to provide technical assistance to help private nonprofit hospitals and nonprofit multispecialty clinics exempt from licensure comply with the community benefits provisions, to make public each community health needs assessment and community benefits plan and any comments received regarding those assessments and plans, and to annually calculate and make public the total value of community benefits provided by hospitals. This bill would authorize the Office of Statewide Health Planning and Development to assess a civil penalty, as provided, against any hospital or clinic that fails to comply with these provisions. This bill would make conforming changes.

~~The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property.~~

~~Existing property tax law establishes a welfare exemption under which property is exempt from taxation if, among other things, that property is used exclusively for religious, hospital, scientific, or charitable purposes and is owned and operated by an entity, as provided, that is itself organized and operated for those purposes.~~

~~Existing law provides that a hospital is not deemed to be organized or operated for profit if, during the immediately preceding fiscal year, the operating revenues, as defined, are not in excess of the operating expenses of the hospital by an amount equal to 10% of the hospital's operating expenses.~~

~~This bill would state that a hospital is rebuttably presumed to be organized or operated for profit if, during the immediately preceding fiscal year, the operating revenues, as defined, are in excess of the operating expenses of the hospital by an amount equal to more than 10% of the hospital's operating expenses and that this statement is a declaration of existing law.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 127280 of the Health and Safety Code
2 is amended to read:
3 127280. (a) Every health facility licensed pursuant to Chapter
4 2 (commencing with Section 1250) of Division 2, except a health
5 facility owned and operated by the state, shall each year be charged
6 a fee established by the office consistent with the requirements of
7 this section.
8 (b) Commencing in calendar year 2004, every freestanding
9 ambulatory surgery clinic, as defined in Section 128700, shall each
10 year be charged a fee established by the office consistent with the
11 requirements of this section.
12 (c) The fee structure shall be established each year by the office
13 to produce revenues equal to the appropriation made in the annual
14 Budget Act or another statute to pay for the functions required to
15 be performed by the office pursuant to this chapter, Chapter 2.6
16 (commencing with Section 127470), or Chapter 1 (commencing
17 with Section 128675) of Part 5, and to pay for any other
18 health-related programs administered by the office. The fee shall
19 be due on July 1 and delinquent on July 31 of each year.
20 (d) The fee for a health facility that is not a hospital, as defined
21 in subdivision (c) of Section 128700, shall be not more than 0.035
22 percent of the gross operating cost of the facility for the provision
23 of health care services for its last fiscal year that ended on or before
24 June 30 of the preceding calendar year.
25 (e) The fee for a hospital, as defined in subdivision (c) of Section
26 128700, shall be not more than 0.035 percent of the gross operating
27 cost of the facility for the provision of health care services for its
28 last fiscal year that ended on or before June 30 of the preceding
29 calendar year.
30 (f) The fee for a freestanding ambulatory surgery clinic shall
31 be established at an amount equal to the number of ambulatory
32 surgery data records submitted to the office pursuant to Section
33 128737 for encounters in the preceding calendar year multiplied
34 by not more than fifty cents (\$0.50).
35 (g) There is hereby established the California Health Data and
36 Planning Fund within the office for the purpose of receiving and
37 expending fee revenues collected pursuant to this chapter.

1 (h) Any amounts raised by the collection of the special fees
2 provided for by subdivisions (d), (e), and (f) that are not required
3 to meet appropriations in the Budget Act for the current fiscal year
4 shall remain in the California Health Data and Planning Fund and
5 shall be available to the office in succeeding years when
6 appropriated by the Legislature in the annual Budget Act or another
7 statute, for expenditure under the provisions of this chapter,
8 Chapter 2.6 (commencing with Section 127470), and Chapter 1
9 (commencing with Section 128675) of Part 5, or for any other
10 health-related programs administered by the office, and shall reduce
11 the amount of the special fees that the office is authorized to
12 establish and charge.

13 (i) (1) No health facility liable for the payment of fees required
14 by this section shall be issued a license or have an existing license
15 renewed unless the fees are paid. A new, previously unlicensed,
16 health facility shall be charged a pro rata fee to be established by
17 the office during the first year of operation.

18 (2) The license of any health facility, against which the fees
19 required by this section are charged, shall be revoked, after notice
20 and hearing, if it is determined by the office that the fees required
21 were not paid within the time prescribed by subdivision (c).

22 SEC. 2. Article 2 (commencing with Section 127340) of
23 Chapter 2 of Part 2 of Division 107 of the Health and Safety Code
24 is repealed.

25 SEC. 3. Section 127400 of the Health and Safety Code is
26 amended to read:

27 127400. The following definitions apply for the purposes of
28 this article:

29 (a) “Allowance for financially qualified patient” means, with
30 respect to services rendered to a financially qualified patient, an
31 allowance that is applied after the hospital’s charges are imposed
32 on the patient, due to the patient’s determined financial inability
33 to pay the charges.

34 (b) (1) “Charity care” means the unreimbursed cost to a private
35 nonprofit hospital or nonprofit multispecialty clinic of providing
36 services to the uninsured or underinsured, as well as providing
37 funding or otherwise financially supporting any of the following:

38 (A) Health care services or items on an inpatient or outpatient
39 basis to a financially qualified patient with no expectation of
40 payment.

1 (B) Health care services or items provided to a financially
2 qualified patient through other nonprofit or public outpatient
3 clinics, hospitals, or health care organizations with no expectation
4 of payment.

5 (C) Community benefits, provided that the provision, funding,
6 or financial support of those benefits is demonstrated to reduce
7 community health care costs. For purposes of this subparagraph,
8 “community benefits” means any of the following: vaccination
9 programs and services for low-income families, chronic illness
10 prevention programs and services, nursing and caregiver training
11 provided without assessment of fees or payment of tuition,
12 home-based health care programs for low-income families, or
13 community-based mental health and outreach and assessment
14 programs for low-income families. For purposes of this
15 subparagraph, “low-income families” means families or individuals
16 with income less than or equal to 350 percent of the federal poverty
17 level.

18 (2) Charity care does not include any of the following:

19 (A) Uncollected fees or accounts written off as bad debt.

20 (B) Care provided to patients for which a public program or
21 public or private grant funds pay for any of the charges for the
22 care.

23 (C) Contractual adjustments in the provision of health care
24 services below the amount identified as gross charges or
25 “chargemaster” rates by the health care provider.

26 (D) Any amount over 125 percent of the Medicare rate for the
27 health care services or items provided on an inpatient or outpatient
28 basis.

29 (E) Any amount over 125 percent of the Medicare rate for
30 providing, funding, or otherwise financially supporting health care
31 services or items with no expectation of payment provided to
32 financially qualified patients through other nonprofit or public
33 outpatient clinics, hospitals, or health care organizations.

34 (F) The cost to a nonprofit hospital of paying a tax or other
35 governmental assessment.

36 (c) “Federal poverty level” means the poverty guidelines updated
37 periodically in the Federal Register by the United States
38 Department of Health and Human Services under authority of
39 subsection (2) of Section 9902 of Title 42 of the United States
40 Code.

1 (d) “Financially qualified patient” means a patient who is both
2 of the following:

3 (1) A patient who is a self-pay patient, as defined in subdivision
4 (g) or a patient with high medical costs, as defined in subdivision
5 (h).

6 (2) A patient who has a family income that does not exceed 350
7 percent of the federal poverty level.

8 (e) “Hospital” means a facility that is required to be licensed
9 under subdivision (a), (b), or (f) of Section 1250, except a facility
10 operated by the State Department of State Hospitals or the
11 Department of Corrections and Rehabilitation.

12 (f) “Office” means the Office of Statewide Health Planning and
13 Development.

14 (g) “Self-pay patient” means a patient who does not have
15 third-party coverage from a health insurer, health care service plan,
16 Medicare, or Medicaid, and whose injury is not a compensable
17 injury for purposes of workers’ compensation, automobile
18 insurance, or other insurance as determined and documented by
19 the hospital. Self-pay patients may include charity care patients.

20 (h) “A patient with high medical costs” means a person whose
21 family income does not exceed 350 percent of the federal poverty
22 level, as defined in subdivision (c), if that individual does not
23 receive a discounted rate from the hospital as a result of his or her
24 third-party coverage. For these purposes, “high medical costs”
25 means any of the following:

26 (1) Annual out-of-pocket costs incurred by the individual at the
27 hospital that exceed 10 percent of the patient’s family income in
28 the prior 12 months.

29 (2) Annual out-of-pocket expenses that exceed 10 percent of
30 the patient’s family income, if the patient provides documentation
31 of the patient’s medical expenses paid by the patient or the patient’s
32 family in the prior 12 months.

33 (3) A lower level determined by the hospital in accordance with
34 the hospital’s charity care policy.

35 (i) “Patient’s family” means the following:

36 (1) For persons 18 years of age and older, spouse, domestic
37 partner, as defined in Section 297 of the Family Code, and
38 dependent children under 21 years of age, whether living at home
39 or not.

1 (2) For persons under 18 years of age, parent, caretaker relatives,
2 and other children under 21 years of age of the parent or caretaker
3 relative.

4 SEC. 4. Chapter 2.6 (commencing with Section 127470) is
5 added to Part 2 of Division 107 of the Health and Safety Code, to
6 read:

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8
9

CHAPTER 2.6. COMMUNITY BENEFITS

10
11

Article 1. Hospital Community Benefits

12 127470. (a) The Legislature finds and declares the following:

13 (1) Access to health care services is of vital concern to the
14 people of California.

15 (2) Health care providers play an important role in providing
16 essential health care services in the communities they serve.

17 (3) Notwithstanding public and private efforts to increase access
18 to health care, the people of California continue to have significant
19 unmet health needs. Studies indicate that as many as 6.9 million
20 Californians are uninsured during a year.

21 (4) The state has a substantial interest in ensuring that the unmet
22 health needs of its residents are addressed. Health care providers
23 can help address these needs by providing charity care and
24 community benefits to the uninsured and underinsured members
25 of their communities.

26 (5) Hospitals have different roles in the community depending
27 on their mission, governance, tax status, and articles of
28 incorporation. Private hospitals that are investor owned and have
29 for-profit tax status pay property taxes, corporate income taxes,
30 and other taxes, such as unemployment insurance, on a different
31 basis than nonprofit, district, or public hospitals. Nonprofit health
32 facilities, including hospitals and multispecialty clinics, as
33 described in subdivision (l) of Section 1206, receive favorable tax
34 treatment by the government and, in exchange, assume a social
35 obligation to provide charity care and other community benefits
36 in the public interest.

37 (b) It is the intent of the Legislature in enacting this chapter to
38 provide uniform standards for reporting the amount of charity care
39 and community benefits provided to ensure that private nonprofit
40 hospitals and multispecialty clinics operated by nonprofit

1 corporations, as described in subdivision (l) of Section 1206,
2 actually meet the social obligations for which they receive
3 favorable tax treatment.

4 127472. The following definitions apply for the purposes of
5 this chapter:

6 (a) “Community” means the service area or patient population
7 for which a private nonprofit hospital or nonprofit multispecialty
8 clinic provides health care services.

9 (b) “Community benefits” means the unreimbursed goods,
10 services, and resources provided by a private nonprofit hospital
11 or nonprofit multispecialty clinic that addresses
12 community-identified health needs and concerns, particularly for
13 people who are uninsured, underserved, or members of a vulnerable
14 population. Community benefits include, but are not limited to,
15 charity care, as defined in Section 127400, the cost of community
16 health improvement services and community benefit operations,
17 and the cost of health professions education, subsidized health
18 services for vulnerable populations, research, contributions to
19 community groups, and community building activities.

20 (c) “Community benefits plan” means the written document
21 prepared for annual submission to the office that includes, but is
22 not limited to, a description of the activities that the private
23 nonprofit hospital or nonprofit multispecialty clinic has undertaken
24 to address identified community needs within its mission and
25 financial capacity, and the process by which the hospital or clinic
26 develops the plan in consultation with the community.

27 (d) “Community health needs assessment” means the process
28 by which the private nonprofit hospital or nonprofit multispecialty
29 clinic identifies, for its primary service area as determined by the
30 hospital or clinic, unmet community needs.

31 (e) “Discounted care” means the cost for medical care provided
32 consistent with Article 1 (commencing with Section 127400) of
33 Chapter 2.5.

34 (f) “Free care” means the unreimbursed cost for medical care
35 for a patient who cannot afford to pay for care provided consistent
36 with Article 1 (commencing with Section 127400) of Chapter 2.5.

37 (g) “Nonprofit multispecialty clinic” means a clinic as described
38 in subdivision (l) of Section 1206.

39 (h) “Office” means the Office of Statewide Health Planning and
40 Development.

1 (i) “Private nonprofit hospital” means a private nonprofit acute
2 care hospital operated or controlled by a nonprofit corporation, as
3 defined in Section 5046 of the Corporations Code, that has been
4 determined to be exempt from taxation under the Internal Revenue
5 Code. For purposes of this chapter, “private nonprofit hospital”
6 does not include any of the following:

7 (1) A district hospital organized and governed pursuant to the
8 Local Health Care District Law (Division 23 (commencing with
9 Section 32000)).

10 (2) A rural general acute care hospital, as defined in subdivision
11 (a) of Section 1250.

12 (3) A children’s hospital, as defined in Section 10727 of the
13 Welfare and Institutions Code.

14 (j) “Underserved and vulnerable population” means a population
15 that has disproportionate unmet health-related needs, such as a
16 high prevalence of one or more health conditions or concerns, and
17 that has limited access to timely, quality health care.

18 127473. A private nonprofit hospital or a nonprofit
19 multispecialty clinic that reports community benefits to the
20 community shall report on those community benefits in a consistent
21 and comparable manner to all other private nonprofit hospitals and
22 nonprofit multispecialty clinics.

23 127474. A private nonprofit hospital or a nonprofit
24 multispecialty clinic shall make its community health needs
25 assessment and community benefits plan or community health
26 plan available to the public on its Internet Web site. A copy of the
27 assessment and plan shall be given free of charge to any person
28 upon request.

29
30 Article 2. Community Benefits Statement, Community Needs
31 Assessment, and Community Benefits Plan
32

33 127475. (a) Private nonprofit hospitals and nonprofit
34 multispecialty clinics shall provide community benefits to the
35 community.

36 (b) By January 1, 2015, each private nonprofit hospital and each
37 nonprofit multispecialty clinic shall develop, in collaboration with
38 the community, all of the following:

39 (1) A community benefits statement that describes the hospital’s
40 or clinic’s commitment to developing, adopting, and implementing

1 a community benefits program. The hospital's or clinic's governing
2 board shall document that it has reviewed the clinic's
3 organizational mission statement and considered amendments to
4 it that would better align that organizational mission statement
5 with the community benefits statement.

6 (2) A description of the process for approval of the community
7 benefits statement by the hospital's or clinic's governing board,
8 including a declaration that the board and administrators of the
9 hospital or clinic shall be responsible for oversight and
10 implementation of the community benefits plan. The board may
11 establish a community benefits implementation committee that
12 shall include members of the board, senior administrators, and
13 community stakeholders.

14 (3) A community health needs assessment pursuant to Section
15 127476 that evaluates the health needs and resources of the
16 community it serves.

17 (c) By April 1, 2015, a private nonprofit hospital or nonprofit
18 multispecialty clinic shall develop, in collaboration with the
19 community, a community benefits plan pursuant to Section 127477
20 designed to achieve all of the following outcomes:

21 (1) Access to health care for members of underserved and
22 vulnerable populations.

23 (2) The addressing of essential health care needs of the
24 community, with particular attention to the needs of members of
25 underserved and vulnerable populations.

26 (3) The creation of measurable improvements in the health of
27 the community, with particular attention to the needs of members
28 of underserved and vulnerable populations.

29 127476. (a) Prior to adopting a community benefits plan, a
30 private nonprofit hospital or nonprofit multispecialty clinic shall
31 complete a community needs assessment that evaluates the health
32 needs and resources of the community served by the hospital or
33 clinic that is designed to achieve the outcomes specified in
34 subdivision (c) of Section 127475.

35 (b) In conducting its community health needs assessment, a
36 private nonprofit hospital or nonprofit multispecialty clinic shall
37 solicit comments from and meet with local government officials,
38 including representatives of local public health departments. A
39 private nonprofit hospital or nonprofit multispecialty clinic shall
40 also solicit comments from and meet with health care providers,

1 registered nurses, community groups representing, among others,
2 patients, labor, seniors, and consumers, and other health-related
3 organizations. Particular attention shall be given to persons who
4 are themselves underserved and who work with underserved and
5 vulnerable populations. Particular attention shall also be given to
6 identifying local needs to address racial and ethnic disparities in
7 health outcomes. A private nonprofit hospital or nonprofit
8 multispecialty clinic may create a community benefits advisory
9 committee for the purpose of soliciting community input.

10 (c) In preparing its community health needs assessment, a private
11 nonprofit hospital or nonprofit multispecialty clinic shall use
12 available public health data. A private nonprofit hospital or
13 nonprofit multispecialty clinic may collaborate with other facilities
14 and health care institutions in conducting community health needs
15 assessments and may make use of existing studies in completing
16 their own needs assessments.

17 (d) Prior to completing a community health needs assessment,
18 a private nonprofit hospital or nonprofit multispecialty clinic shall
19 make available to the public a copy of the assessment for review
20 and comment.

21 (e) A community health needs assessment shall be filed with
22 the office. A private nonprofit hospital or a nonprofit multispecialty
23 clinic shall update its community needs assessment at least every
24 three years.

25 127477. (a) By April 1, 2015, a private nonprofit hospital or
26 nonprofit multispecialty clinic shall develop a community benefits
27 plan that conforms with this chapter.

28 (b) In developing a community benefits plan, a private nonprofit
29 hospital or nonprofit multispecialty clinic shall solicit comments
30 from and meet with local government officials, including
31 representatives of local public health departments. A private
32 nonprofit hospital or nonprofit multispecialty clinic shall also
33 solicit comments from and meet with health care providers,
34 community groups representing, among others, patients, labor,
35 seniors, and consumers, and other health-related organizations.
36 Particular attention shall be given to persons who are themselves
37 underserved, who work with underserved and vulnerable
38 populations, and who work with populations at risk for racial and
39 ethnic disparities in health outcomes.

1 (c) A community benefits plan shall include, at a minimum, all
2 of the following:

3 (1) A summary of the needs assessment and a statement of the
4 community health care needs that will be addressed by the plan.

5 (2) A list of the services the private nonprofit hospital or
6 nonprofit multispecialty clinic intends to provide in the following
7 year to address community health needs identified in the
8 community health needs assessments. The list of services shall be
9 categorized under the following:

10 (A) Charity care, as defined in subdivision (b) of Section
11 127400.

12 (B) Other community benefits, including community health
13 improvement services and community benefit operations, health
14 professions education, subsidized health services, research, and
15 contributions to community groups.

16 (C) Community building activities targeting underserved and
17 vulnerable populations.

18 (3) A description of the target community or communities that
19 the plan is intended to benefit.

20 (4) An estimate of the economic value of the community benefits
21 that the private nonprofit hospital or nonprofit multispecialty clinic
22 intends to provide.

23 (5) A summary of the process used to elicit community
24 participation in the community health needs assessment and
25 community benefits plan design, and a description of the process
26 for ongoing participation of community members in plan
27 implementation and oversight, and a description of how the
28 assessment and plan respond to the comments received by the
29 private nonprofit hospital or nonprofit multispecialty clinic from
30 the community.

31 (6) A list of individuals, organizations, and government officials
32 consulted during the development of the plan.

33 (7) A description of the intended impact on health outcomes
34 attributable to the plan, including short- and long-term measurable
35 goals and objectives.

36 (8) Mechanisms to evaluate the plan's effectiveness.

37 (9) The name and title of the individual responsible for
38 implementing the plan.

39 (10) The names of individuals on the private nonprofit hospital's
40 or nonprofit multispecialty clinic's governing board.

1 (11) If applicable, a report on the community benefits efforts
 2 of the preceding year, including the amounts and types of
 3 community benefits provided, in a manner to be prescribed by the
 4 office; a statement of the plan’s impact on health outcomes,
 5 including a description of the private nonprofit hospital’s or
 6 nonprofit multispecialty clinic’s progress toward meeting its short-
 7 and long-term goals and objectives; and an evaluation of the plan’s
 8 effectiveness.

9 (d) A private nonprofit hospital or nonprofit multispecialty clinic
 10 may also report on bad debts and Medicare shortfalls, although
 11 these shall not be calculated or reported as community benefits.

12 (e) The governing board of a private nonprofit hospital or
 13 nonprofit multispecialty clinic shall adopt the community benefits
 14 plan. A private nonprofit hospital or nonprofit multispecialty clinic
 15 shall make its draft community benefits plan available to the public,
 16 in hard copy and on its Internet Web site, no later than 30 days
 17 prior to its adoption by the governing board of the private nonprofit
 18 hospital or nonprofit multispecialty clinic.

19 (f) After April 1, 2015, a private nonprofit hospital or nonprofit
 20 multispecialty clinic shall, every two years, revise and submit its
 21 community benefits plan to the office, no later than 120 days after
 22 the end of the hospital’s or clinic’s fiscal year.

23 (g) A person or entity may file comments on a private nonprofit
 24 hospital’s or nonprofit multispecialty clinic’s community benefits
 25 plan with the office.

26 (h) A private nonprofit hospital or nonprofit multispecialty
 27 clinic, under the common control of a single corporation or another
 28 entity, may file a consolidated plan if the plan addresses services
 29 in all of the categories listed in paragraph (2) of subdivision (c) to
 30 be provided by each hospital or clinic under common control of
 31 the corporation or entity.

32

33 Article 3. Duties of the Office of Statewide Health Planning
 34 and Development

35

36 127487. (a) (1) The office shall develop and adopt regulations
 37 to prescribe a standardized format for community benefits plans
 38 pursuant to this chapter.

39 (2) The office shall develop a standardized methodology for
 40 estimating the economic value of community benefits.

1 (3) In developing ~~standard~~ *standards* of reporting on community
2 benefits, the office shall, to the maximum extent possible, conform
3 to Internal Revenue Service reporting standards for those data
4 elements reported to the Internal Revenue Service, but shall also
5 include those data elements required under this chapter or other
6 state law, including charity care, as defined in Section 127400.

7 (4) A private nonprofit hospital or nonprofit multispecialty clinic
8 shall annually file with the office its IRS Form 990, or its successor
9 form, and the office shall post the form on its Internet Web site.

10 (b) The office shall provide technical assistance to help private
11 nonprofit hospitals and nonprofit multispecialty clinics comply
12 with this chapter.

13 (c) The office shall make public a community health needs
14 assessment and community benefits plan and any comments
15 received regarding those assessments and plans. The office shall
16 make these documents available on its Internet Web site.

17 (d) The office shall annually calculate and make public the total
18 value of community benefits provided by private nonprofit
19 hospitals and nonprofit multispecialty clinics that report pursuant
20 to this chapter.

21 127488. The office may assess a civil penalty against any
22 private nonprofit hospital or nonprofit multispecialty clinic that
23 fails to comply with this article in the same manner as specified
24 in Section 128770.

25 SEC. 5. Section 129050 of the Health and Safety Code is
26 amended to read:

27 129050. A loan shall be eligible for insurance under this chapter
28 if all of the following conditions are met:

29 (a) The loan shall be secured by a first mortgage, first deed of
30 trust, or other first priority lien on a fee interest of the borrower
31 or by a leasehold interest of the borrower having a term of at least
32 20 years, including options to renew for that duration, longer than
33 the term of the insured loan. The security for the loan shall be
34 subject only to those conditions, covenants and restrictions,
35 easements, taxes, and assessments of record approved by the office,
36 and other liens securing debt insured under this chapter. The office
37 may require additional agreements in security of the loan.

38 (b) The borrower obtains an American Land Title Association
39 title insurance policy with the office designated as beneficiary,
40 with liability equal to the amount of the loan insured under this

1 chapter, and with additional endorsements that the office may
2 reasonably require.

3 (c) The proceeds of the loan shall be used exclusively for the
4 construction, improvement, or expansion of the health facility, as
5 approved by the office under Section 129020. However, loans
6 insured pursuant to this chapter may include loans to refinance
7 another prior loan, whether or not state insured and without regard
8 to the date of the prior loan, if the office determines that the amount
9 refinanced does not exceed 90 percent of the original total
10 construction costs and is otherwise eligible for insurance under
11 this chapter. The office may not insure a loan for a health facility
12 that the office determines is not needed pursuant to subdivision
13 (k).

14 (d) The loan shall have a maturity date not exceeding 30 years
15 from the date of the beginning of amortization of the loan, except
16 as authorized by subdivision (e), or 75 percent of the office's
17 estimate of the economic life of the health facility, whichever is
18 the lesser.

19 (e) The loan shall contain complete amortization provisions
20 requiring periodic payments by the borrower not in excess of its
21 reasonable ability to pay as determined by the office. The office
22 shall permit a reasonable period of time during which the first
23 payment to amortization may be waived on agreement by the lender
24 and borrower. The office may, however, waive the amortization
25 requirements of this subdivision and of subdivision (g) of this
26 section when a term loan would be in the borrower's best interest.

27 (f) The loan shall bear interest on the amount of the principal
28 obligation outstanding at any time at a rate, as negotiated by the
29 borrower and lender, as the office finds necessary to meet the loan
30 money market. As used in this chapter, "interest" does not include
31 premium charges for insurance and service charges if any. Where
32 a loan is evidenced by a bond issue of a political subdivision, the
33 interest thereon may be at any rate the bonds may legally bear.

34 (g) The loan shall provide for the application of the borrower's
35 periodic payments to amortization of the principal of the loan.

36 (h) The loan shall contain those terms and provisions with
37 respect to insurance, repairs, alterations, payment of taxes and
38 assessments, foreclosure proceedings, anticipation of maturity,
39 additional and secondary liens, and other matters the office may
40 in its discretion prescribe.

1 (i) The loan shall have a principal obligation not in excess of
2 an amount equal to 90 percent of the total construction cost.

3 (j) The borrower shall offer reasonable assurance that the
4 services of the health facility will be made available to all persons
5 residing or employed in the area served by the facility.

6 (k) The office has determined that the facility is needed by the
7 community to provide the specified services. In making this
8 determination, the office shall do all of the following:

9 (1) Require the applicant to describe the community needs the
10 facility will meet and provide data and information to substantiate
11 the stated needs.

12 (2) Require the applicant, if appropriate, to demonstrate
13 participation in the community needs assessment required by
14 Section 127476.

15 (3) Survey appropriate local officials and organizations to
16 measure perceived needs and verify the applicant's needs
17 assessment.

18 (4) Use any additional available data relating to existing facilities
19 in the community and their capacity.

20 (5) Contact other state and federal departments that provide
21 funding for the programs proposed by the applicant to obtain those
22 departments' perspectives regarding the need for the facility.
23 Additionally, the office shall evaluate the potential effect of
24 proposed health care reimbursement changes on the facility's
25 financial feasibility.

26 (6) Consider the facility's consistency with the Cal-Mortgage
27 state plan.

28 (l) In the case of acquisitions, a project loan shall be guaranteed
29 only for transactions not in excess of the fair market value of the
30 acquisition.

31 Fair market value shall be determined, for purposes of this
32 subdivision, pursuant to the following procedure, that shall be
33 utilized during the office's review of a loan guarantee application:

34 (1) Completion of a property appraisal by an appraisal firm
35 qualified to make appraisals, as determined by the office, before
36 closing a loan on the project.

37 (2) Evaluation of the appraisal in conjunction with the book
38 value of the acquisition by the office. When acquisitions involve
39 additional construction, the office shall evaluate the proposed
40 construction to determine that the costs are reasonable for the type

1 of construction proposed. In those cases where this procedure
2 reveals that the cost of acquisition exceeds the current value of a
3 facility, including improvements, then the acquisition cost shall
4 be deemed in excess of fair market value.

5 (m) Notwithstanding subdivision (i), any loan in the amount of
6 ten million dollars (\$10,000,000) or less may be insured up to 95
7 percent of the total construction cost.

8 In determining financial feasibility of projects of counties
9 pursuant to this section, the office shall take into consideration
10 any assistance for the project to be provided under Section 14085.5
11 of the Welfare and Institutions Code or from other sources. It is
12 the intent of the Legislature that the office endeavor to assist
13 counties in whatever ways are possible to arrange loans that will
14 meet the requirements for insurance prescribed by this section.

15 (n) The project’s level of financial risk meets the criteria in
16 Section 129051.

17 ~~SEC. 6. Section 214 of the Revenue and Taxation Code is~~
18 ~~amended to read:~~

19 ~~214. (a) Property used exclusively for religious, hospital,~~
20 ~~scientific, or charitable purposes owned and operated by~~
21 ~~community chests, funds, foundations, limited liability companies,~~
22 ~~or corporations organized and operated for religious, hospital,~~
23 ~~scientific, or charitable purposes is exempt from taxation, including~~
24 ~~ad valorem taxes to pay the interest and redemption charges on~~
25 ~~any indebtedness approved by the voters prior to July 1, 1978, or~~
26 ~~any bonded indebtedness for the acquisition or improvement of~~
27 ~~real property approved on or after July 1, 1978, by two-thirds of~~
28 ~~the votes cast by the voters voting on the proposition, if:~~

- 29 ~~(1) The owner is not organized or operated for profit.~~
- 30 ~~(A) In the case of hospitals, the organization shall not be deemed~~
31 ~~to be organized or operated for profit if, during the immediately~~
32 ~~preceding fiscal year, operating revenues, exclusive of gifts,~~
33 ~~endowments, and grants-in-aid, did not exceed operating expenses~~
34 ~~by an amount equivalent to 10 percent of those operating expenses.~~
35 ~~As used herein, operating expenses include depreciation based on~~
36 ~~cost of replacement and amortization of, and interest on,~~
37 ~~indebtedness.~~

38 ~~(B) In the case of hospitals, the organization shall be rebuttably~~
39 ~~presumed to be organized or operated for profit if, during the~~
40 ~~immediately preceding fiscal year, operating revenues, exclusive~~

1 of gifts, endowments and grants-in-aid, exceed operating expenses
2 by an amount equivalent to more than 10 percent of those operating
3 expenses. As used herein, operating expenses include depreciation
4 based on cost of replacement and amortization of, and interest on,
5 indebtedness.

6 ~~(2) No part of the net earnings of the owner inures to the benefit
7 of any private shareholder or individual.~~

8 ~~(3) The property is used for the actual operation of the exempt
9 activity, and does not exceed an amount of property reasonably
10 necessary to the accomplishment of the exempt purpose.~~

11 ~~(A) For the purposes of determining whether the property is
12 used for the actual operation of the exempt activity, consideration
13 shall not be given to use of the property for either or both of the
14 following described activities if that use is occasional:~~

15 ~~(i) The owner conducts fundraising activities on the property
16 and the proceeds derived from those activities are not unrelated
17 business taxable income, as defined in Section 512 of the Internal
18 Revenue Code, of the owner and are used to further the exempt
19 activity of the owner.~~

20 ~~(ii) The owner permits any other organization that meets all of
21 the requirements of this subdivision, other than ownership of the
22 property, to conduct fundraising activities on the property and the
23 proceeds derived from those activities are not unrelated business
24 taxable income, as defined in Section 512 of the Internal Revenue
25 Code, of the organization, are not subject to the tax on unrelated
26 business taxable income that is imposed by Section 511 of the
27 Internal Revenue Code, and are used to further the exempt activity
28 of the organization.~~

29 ~~(B) For purposes of subparagraph (A):~~

30 ~~(i) "Occasional use" means use of the property on an irregular
31 or intermittent basis by the qualifying owner or any other qualifying
32 organization described in clause (ii) of subparagraph (A) that is
33 incidental to the primary activities of the owner or the other
34 organization.~~

35 ~~(ii) "Fundraising activities" means both activities involving the
36 direct solicitation of money or other property and the anticipated
37 exchange of goods or services for money between the soliciting
38 organization and the organization or person solicited.~~

39 ~~(C) Subparagraph (A) shall have no application in determining
40 whether paragraph (3) has been satisfied unless the owner of the~~

1 property and any other organization using the property as provided
2 in subparagraph (A) have filed with the assessor a valid
3 organizational clearance certificate issued pursuant to Section
4 254.6.

5 (D) For the purposes of determining whether the property is
6 used for the actual operation of the exempt activity, consideration
7 shall not be given to the use of the property for meetings conducted
8 by any other organization if the meetings are incidental to the other
9 organization's primary activities, are not fundraising meetings or
10 activities as defined in subparagraph (B), are held no more than
11 once per week, and the other organization and its use of the
12 property meet all other requirements of paragraphs (1) to (5),
13 inclusive, of this subdivision. The owner or the other organization
14 also shall file with the assessor a copy of a valid, unrevoked letter
15 or ruling from the Internal Revenue Service or the Franchise Tax
16 Board stating that the other organization, or the national
17 organization of which it is a local chapter or affiliate, qualifies as
18 an exempt organization under Section 501(c)(3) or 501(c)(4) of
19 the Internal Revenue Code or Section 23701d, 23701f, or 23701w.

20 (E) Nothing in subparagraph (A), (B), (C), or (D) shall be
21 construed to either enlarge or restrict the exemption provided for
22 in subdivision (b) of Section 4 and Section 5 of Article XIII of the
23 California Constitution and this section.

24 (4) The property is not used or operated by the owner or by any
25 other person so as to benefit any officer, trustee, director,
26 shareholder, member, employee, contributor, or bondholder of the
27 owner or operator, or any other person, through the distribution
28 of profits, payment of excessive charges or compensations, or the
29 more advantageous pursuit of their business or profession.

30 (5) The property is not used by the owner or members thereof
31 for fraternal or lodge purposes, or for social club purposes except
32 where that use is clearly incidental to a primary religious, hospital,
33 scientific, or charitable purpose.

34 (6) The property is irrevocably dedicated to religious, charitable,
35 scientific, or hospital purposes and upon the liquidation,
36 dissolution, or abandonment of the owner will not inure to the
37 benefit of any private person except a fund, foundation, or
38 corporation organized and operated for religious, hospital,
39 scientific, or charitable purposes.

1 ~~(7) The property, if used exclusively for scientific purposes, is~~
2 ~~used by a foundation or institution that, in addition to complying~~
3 ~~with the foregoing requirements for the exemption of charitable~~
4 ~~organizations in general, has been chartered by the Congress of~~
5 ~~the United States (except that this requirement shall not apply~~
6 ~~when the scientific purposes are medical research), and whose~~
7 ~~objects are the encouragement or conduct of scientific~~
8 ~~investigation, research, and discovery for the benefit of the~~
9 ~~community at large.~~

10 ~~The exemption provided for herein shall be known as the~~
11 ~~“welfare exemption.” This exemption shall be in addition to any~~
12 ~~other exemption now provided by law, and the existence of the~~
13 ~~exemption provision in paragraph (2) of subdivision (a) of Section~~
14 ~~202 shall not preclude the exemption under this section for museum~~
15 ~~or library property. Except as provided in subdivision (c), this~~
16 ~~section shall not be construed to enlarge the college exemption.~~

17 ~~(b) Property used exclusively for school purposes of less than~~
18 ~~collegiate grade and owned and operated by religious, hospital, or~~
19 ~~charitable funds, foundations, limited liability companies, or~~
20 ~~corporations, which property and funds, foundations, limited~~
21 ~~liability companies, or corporations meet all of the requirements~~
22 ~~of subdivision (a), shall be deemed to be within the exemption~~
23 ~~provided for in subdivision (b) of Section 4 and Section 5 of Article~~
24 ~~XIII of the California Constitution and this section.~~

25 ~~(c) Property used exclusively for nursery school purposes and~~
26 ~~owned and operated by religious, hospital, or charitable funds,~~
27 ~~foundations, limited liability companies, or corporations, which~~
28 ~~property and funds, foundations, limited liability companies, or~~
29 ~~corporations meet all the requirements of subdivision (a), shall be~~
30 ~~deemed to be within the exemption provided for in subdivision~~
31 ~~(b) of Section 4 and Section 5 of Article XIII of the California~~
32 ~~Constitution and this section.~~

33 ~~(d) Property used exclusively for a noncommercial educational~~
34 ~~FM broadcast station or an educational television station, and~~
35 ~~owned and operated by religious, hospital, scientific, or charitable~~
36 ~~funds, foundations, limited liability companies, or corporations~~
37 ~~meeting all of the requirements of subdivision (a), shall be deemed~~
38 ~~to be within the exemption provided for in subdivision (b) of~~
39 ~~Section 4 and Section 5 of Article XIII of the California~~
40 ~~Constitution and this section.~~

1 ~~(e) Property used exclusively for religious, charitable, scientific,~~
 2 ~~or hospital purposes and owned and operated by religious, hospital,~~
 3 ~~scientific, or charitable funds, foundations, limited liability~~
 4 ~~companies, or corporations or educational institutions of collegiate~~
 5 ~~grade, as defined in Section 203, which property and funds,~~
 6 ~~foundations, limited liability companies, corporations, or~~
 7 ~~educational institutions meet all of the requirements of subdivision~~
 8 ~~(a), shall be deemed to be within the exemption provided for in~~
 9 ~~subdivision (b) of Section 4 and Section 5 of Article XIII of the~~
 10 ~~California Constitution and this section. As to educational~~
 11 ~~institutions of collegiate grade, as defined in Section 203, the~~
 12 ~~requirements of paragraph (6) of subdivision (a) shall be deemed~~
 13 ~~to be met if both of the following are met:~~

14 ~~(1) The property of the educational institution is irrevocably~~
 15 ~~dedicated in its articles of incorporation to charitable and~~
 16 ~~educational purposes, to religious and educational purposes, or to~~
 17 ~~educational purposes.~~

18 ~~(2) The articles of incorporation of the educational institution~~
 19 ~~provide for distribution of its property upon its liquidation,~~
 20 ~~dissolution, or abandonment to a fund, foundation, or corporation~~
 21 ~~organized and operated for religious, hospital, scientific, charitable,~~
 22 ~~or educational purposes meeting the requirements for exemption~~
 23 ~~provided by Section 203 or this section.~~

24 ~~(f) Property used exclusively for housing and related facilities~~
 25 ~~for elderly or handicapped families and financed by, including,~~
 26 ~~but not limited to, the federal government pursuant to Section 202~~
 27 ~~of Public Law 86-372 (12 U.S.C. Sec. 1701q), as amended, Section~~
 28 ~~231 of Public Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of~~
 29 ~~Public Law 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of~~
 30 ~~Public Law 101-625 (42 U.S.C. Sec. 8013), and owned and~~
 31 ~~operated by religious, hospital, scientific, or charitable funds,~~
 32 ~~foundations, limited liability companies, or corporations meeting~~
 33 ~~all of the requirements of this section shall be deemed to be within~~
 34 ~~the exemption provided for in subdivision (b) of Section 4 and~~
 35 ~~Section 5 of Article XIII of the California Constitution and this~~
 36 ~~section.~~

37 ~~The amendment of this paragraph made by Chapter 1102 of the~~
 38 ~~Statutes of 1984 does not constitute a change in, but is declaratory~~
 39 ~~of, existing law. However, no refund of property taxes shall be~~

1 required as a result of this amendment for any fiscal year prior to
2 the fiscal year in which the amendment takes effect.

3 ~~Property used exclusively for housing and related facilities for~~
4 ~~elderly or handicapped families at which supplemental care or~~
5 ~~services designed to meet the special needs of elderly or~~
6 ~~handicapped residents are not provided, or that is not financed by~~
7 ~~the federal government pursuant to Section 202 of Public Law~~
8 ~~86-372 (12 U.S.C. Sec. 1701q), as amended, Section 231 of Public~~
9 ~~Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of Public Law~~
10 ~~90-448 (12 U.S.C. Sec. 1715z), or Section 811 of Public Law~~
11 ~~101-625 (42 U.S.C. Sec. 8013), shall not be entitled to exemption~~
12 ~~pursuant to this subdivision unless the property is used for housing~~
13 ~~and related facilities for low- and moderate-income elderly or~~
14 ~~handicapped families. Property that would otherwise be exempt~~
15 ~~pursuant to this subdivision, except that it includes some housing~~
16 ~~and related facilities for other than low- or moderate-income elderly~~
17 ~~or handicapped families, shall be entitled to a partial exemption.~~
18 ~~The partial exemption shall be equal to that percentage of the value~~
19 ~~of the property that is equal to the percentage that the number of~~
20 ~~low- and moderate-income elderly and handicapped families~~
21 ~~occupying the property represents of the total number of families~~
22 ~~occupying the property.~~

23 As used in this subdivision, “low and moderate income” has the
24 same meaning as the term “persons and families of low or moderate
25 income” as defined by Section 50093 of the Health and Safety
26 Code.

27 ~~(g) (1) Property used exclusively for rental housing and related~~
28 ~~facilities and owned and operated by religious, hospital, scientific,~~
29 ~~or charitable funds, foundations, limited liability companies, or~~
30 ~~corporations, including limited partnerships in which the managing~~
31 ~~general partner is an eligible nonprofit corporation or eligible~~
32 ~~limited liability company, meeting all of the requirements of this~~
33 ~~section, or by veterans’ organizations, as described in Section~~
34 ~~215.1, meeting all the requirements of paragraphs (1) to (7),~~
35 ~~inclusive, of subdivision (a), shall be deemed to be within the~~
36 ~~exemption provided for in subdivision (b) of Section 4 and Section~~
37 ~~5 of Article XIII of the California Constitution and this section~~
38 ~~and shall be entitled to a partial exemption equal to that percentage~~
39 ~~of the value of the property that the portion of the property serving~~

1 lower income households represents of the total property in any
2 year in which any of the following criteria applies:

3 (A) The acquisition, rehabilitation, development, or operation
4 of the property, or any combination of these factors, is financed
5 with tax-exempt mortgage revenue bonds or general obligation
6 bonds, or is financed by local, state, or federal loans or grants and
7 the rents of the occupants who are lower income households do
8 not exceed those prescribed by deed restrictions or regulatory
9 agreements pursuant to the terms of the financing or financial
10 assistance.

11 (B) The owner of the property is eligible for and receives
12 low-income housing tax credits pursuant to Section 42 of the
13 Internal Revenue Code of 1986, as added by Public Law 99-514.

14 (C) In the case of a claim, other than a claim with respect to
15 property owned by a limited partnership in which the managing
16 general partner is an eligible nonprofit corporation, that is filed
17 for the 2000–01 fiscal year or any fiscal year thereafter, 90 percent
18 or more of the occupants of the property are lower income
19 households whose rent does not exceed the rent prescribed by
20 Section 50053 of the Health and Safety Code. The total exemption
21 amount allowed under this subdivision to a taxpayer, with respect
22 to a single property or multiple properties for any fiscal year on
23 the sole basis of the application of this subparagraph, may not
24 exceed twenty thousand dollars (\$20,000) of tax.

25 (D) (i) The property was previously purchased and owned by
26 the Department of Transportation pursuant to a consent decree
27 requiring housing mitigation measures relating to the construction
28 of a freeway and is now solely owned by an organization that
29 qualifies as an exempt organization under Section 501(c)(3) of the
30 Internal Revenue Code.

31 (ii) This subparagraph shall not apply to property owned by a
32 limited partnership in which the managing partner is an eligible
33 nonprofit corporation.

34 (2) In order to be eligible for the exemption provided by this
35 subdivision, the owner of the property shall do both of the
36 following:

37 (A) (i) For any claim filed for the 2000–01 fiscal year or any
38 fiscal year thereafter, certify and ensure, subject to the limitation
39 in clause (ii), that there is an enforceable and verifiable agreement
40 with a public agency, a recorded deed restriction, or other legal

1 document that restricts the project's usage and that provides that
2 the units designated for use by lower income households are
3 continuously available to or occupied by lower income households
4 at rents that do not exceed those prescribed by Section 50053 of
5 the Health and Safety Code, or, to the extent that the terms of
6 federal, state, or local financing or financial assistance conflicts
7 with Section 50053, rents that do not exceed those prescribed by
8 the terms of the financing or financial assistance.

9 (ii) In the case of a limited partnership in which the managing
10 general partner is an eligible nonprofit corporation, the restriction
11 and provision specified in clause (i) shall be contained in an
12 enforceable and verifiable agreement with a public agency, or in
13 a recorded deed restriction to which the limited partnership
14 certifies.

15 (B) Certify that the funds that would have been necessary to
16 pay property taxes are used to maintain the affordability of, or
17 reduce rents otherwise necessary for, the units occupied by lower
18 income households.

19 (3) As used in this subdivision, "lower income households" has
20 the same meaning as the term "lower income households" as
21 defined by Section 50079.5 of the Health and Safety Code.

22 (h) Property used exclusively for an emergency or temporary
23 shelter and related facilities for homeless persons and families and
24 owned and operated by religious, hospital, scientific, or charitable
25 funds, foundations, limited liability companies, or corporations
26 meeting all of the requirements of this section shall be deemed to
27 be within the exemption provided for in subdivision (b) of Section
28 4 and Section 5 of Article XIII of the California Constitution and
29 this section. Property that otherwise would be exempt pursuant to
30 this subdivision, except that it includes housing and related
31 facilities for other than an emergency or temporary shelter, shall
32 be entitled to a partial exemption.

33 As used in this subdivision, "emergency or temporary shelter"
34 means a facility that would be eligible for funding pursuant to
35 Chapter 11 (commencing with Section 50800) of Part 2 of Division
36 31 of the Health and Safety Code.

37 (i) Property used exclusively for housing and related facilities
38 for employees of religious, charitable, scientific, or hospital
39 organizations that meet all the requirements of subdivision (a) and
40 owned and operated by funds, foundations, limited liability

1 companies, or corporations that meet all the requirements of
 2 subdivision (a) shall be deemed to be within the exemption
 3 provided for in subdivision (b) of Section 4 and Section 5 of Article
 4 XIII of the California Constitution and this section to the extent
 5 the residential use of the property is institutionally necessary for
 6 the operation of the organization.

7 (j) For purposes of this section, charitable purposes include
 8 educational purposes. For purposes of this subdivision,
 9 “educational purposes” means those educational purposes and
 10 activities for the benefit of the community as a whole or an
 11 unascertainable and indefinite portion thereof, and do not include
 12 those educational purposes and activities that are primarily for the
 13 benefit of an organization’s shareholders. Educational activities
 14 include the study of relevant information, the dissemination of that
 15 information to interested members of the general public, and the
 16 participation of interested members of the general public.

17 (k) In the case of property used exclusively for the exempt
 18 purposes specified in this section, owned and operated by limited
 19 liability companies that are organized and operated for those
 20 purposes, the State Board of Equalization shall adopt regulations
 21 to specify the ownership, organizational, and operational
 22 requirements for those companies to qualify for the exemption
 23 provided by this section.

24 (l) The amendments made by Chapter 354 of the Statutes of
 25 2004 shall apply with respect to lien dates occurring on and after
 26 January 1, 2005.

27 SEC. 7. The amendment of Section 214 of the Revenue and
 28 Taxation Code made by this act does not constitute a change in,
 29 but is declaratory of, existing law.