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California State Senate

SENATOR
STEPHEN C. PADILLA
EIGHTEENTH SENATE DISTRICT



COMMITTEES

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GOVERNMENTAL ORGANIZATION

HEALTH

HOUSING

PRIVACY, DIGITAL TECHNOLOGIES,
& CONSUMER PROTECTION

February 12, 2026

The Honorable Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814

The Honorable Treasurer Fiona Ma
901 P street, Room 411-B
Sacramento, CA 95814

Re: Request to Provide Permanent Long-Term Forgiveness of the Distressed Hospital Loan Program

Dear Governor Newsom,

I write to respectfully request long term forgiveness for struggling hospitals that received funding from the Distressed Hospital Loan Program. California created the Distressed Hospital Loan Program through AB 112 (2023) to support hospitals on the brink of financial insolvency. The legislation authorized the Department of Finance (DOF) and the Department of Health Care Access and Information (HCAI) to develop an application process for loan forgiveness. The current process allows applicants to apply yearly for loan forgiveness that if approved will account for the debt service of the succeeding 12-month period. Many of the hospitals who participated in this program are rural or critical access hospitals.

California rural hospitals are facing enormous financial challenges given federal budget cuts. Last year, the federal government passed H.R. 1, which cut nearly \$1 trillion from Medicaid, the largest funding reduction in the program's 60-year history. H.R. 1 is expected to cut \$30 billion a year in federal funding from Medi-Cal, reducing overall access to care and possibly pushing some safety net providers into dire straits, according to the California Budget and Policy Center. Up to 3.4 million state residents could lose coverage, the center said. As the uninsured population rises, more medical bills will go unpaid, cutting revenue for California's health care safety net.

Although H.R. 1 provided \$50 billion for the new Rural Health Transformation Program, those funds must be spent on additive programming and cannot be used to pay for existing operations or to service debt. At the same time, small rural hospitals are experiencing increased costs and a 2030 seismic mandate that will require additional spending. Given these pressures, small rural hospitals, which serve areas already burdened by severe provider shortages, will be at higher risk of closure.

While 12-month forgiveness is helpful, California has a unique opportunity to support the fiscal stability of hospitals by providing long-term forgiveness of these loans while promoting accountability and sustainability for participating hospitals. Without long-term forgiveness, hospitals face uncertainty, and

loan repayment presents added challenges in a time that hospitals are facing enormous pressures from federal cuts. Providing permanent long-term forgiveness through this program will allow the state to support hospitals that are at most danger of closing. If you have any questions, please contact Alexis Castro at Alexis.Castro@sen.ca.gov or (916) 651-4018.

Sincerely,



Stephen C. Padilla
State Senator, 18th District



Shannon Grove
State Senator, 12th District



Rosilicie Ochoa Bogh
State Senator, 19th District



Rhodesia Ransom
Assemblymember, 13th District



Mike Gipson
Assemblymember, 65th District



Anna M. Caballero
State Senator, 14th District



Laura Richardson
State Senator, 35th District



Mark González
Assemblymember, 54th District



Christopher Cabaldon
Senator, 9th District



Liz Ortega
Assemblymember, 20th District

cc: Senate President pro Tempore, The Honorable Monique Limón
Speaker of the Assembly, The Honorable Robert Rivas
The Honorable John Laird
The Honorable Jesse Gabriel
The Honorable Caroline Menjivar
The Honorable Dawn Addis
Joe Stephenshaw, California Department of Finance
Elizabeth A. Landsberg, Department of Health Care Access and Information
Carolyn Aboubechara, California Health Facilities Financing Authority
Richard Figueroa, Deputy Cabinet Secretary



Heber Public Utility District

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March 19, 2026

The Honorable John Laird
Chair, Senate Budget Committee
1020 N. Street, Room 502
Sacramento, CA 95814

The Honorable Caroline Menjivar
Chair, Senate Budget Subcommittee 3
1020 N. Street, Room 502
Sacramento, CA 95814

Re: Request to Provide Permanent Long-Term Forgiveness of the Distressed Hospital Loan Program

Dear Chair Laird and Menjivar,

On behalf of Heber Public Utility District, I am pleased to offer our strong support for Senator Padilla's request for long term forgiveness for struggling hospitals that received funding from the Distressed Hospital Loan Program.

California created the Distressed Hospital Loan Program through AB 112 (2023) to support hospitals on the brink of financial insolvency. The legislation authorized the Department of Finance (DOF) and the Department of Health Care Access and Information (HCAI) to develop an application process for loan forgiveness. The current process allows applicants to apply yearly for loan forgiveness that if approved will account for the debt service of the succeeding 12-month period. Many of the hospitals who participated in this program are rural or critical access hospitals.

California distressed hospitals are facing enormous financial challenges given federal budget cuts. Last year, the federal government passed H.R. 1, which cut nearly \$1 trillion from Medicaid, the largest funding reduction in the program's 60-year history. H.R. 1 is expected to cut \$30 billion a year in federal funding from Medi-Cal, reducing overall access to care and possibly pushing some safety net providers into dire straits, according to the California Budget and Policy Center. Up to 3.4 million state residents could lose coverage, the center said. As the uninsured population rises, more medical bills will go unpaid, cutting revenue for California's health care safety net.

At the same time, small rural hospitals are experiencing increased costs and a 2030 seismic mandate that will require additional spending. Although H.R. 1 provided \$50 billion for the new Rural Health Transformation Program, those funds must be spent on additive programming and cannot be used to pay for existing operations or to service debt. Given these pressures, small rural hospitals, which serve areas already burdened by severe provider shortages, will be at higher risk of closure.

While 12-month forgiveness is helpful, California has a unique opportunity to support the fiscal stability of hospitals by providing long-term forgiveness of these loans while promoting accountability and sustainability for participating hospitals. Without long-term forgiveness, hospitals face uncertainty, and loan repayment presents added challenges in a time that hospitals are facing enormous pressures from federal cuts. Providing permanent long-term forgiveness through this program will allow the state to support hospitals that are at most danger of closing.

Best regards,

Pompeyo Tabarez
President of the Board
Heber Public Utility District