



April 13, 2026

Senator John Laird
Chair, Senate Budget Committee
1021 O St., Room 8720
Sacramento, CA 95814

Senator Caroline Menjivar
Chair, Senate Budget Subcommittee No. 3 on Health and Human Services
1021 O St., Room 6630
Sacramento, CA 95814

Assemblymember Jesse Gabriel
Chair, Assembly Budget Committee
1021 O St., Room 8230
Sacramento, CA 95814

Assemblymember Dawn Addis
Chair, Assembly Budget Subcommittee No. 1 on Health
1021 O St., Suite 4120
Sacramento, CA 95814

RE: Request for \$300 Million Appropriation to the Distressed Hospital Loan Program

Dear Chairs:

California's hospital infrastructure is facing unprecedented financial pressure. The One Big Beautiful Bill Act (OBBBA) (Public Law No. 119-21) undermines the enormous progress the state has made over the past 10 years, slashing health care coverage alongside hospital reimbursement. Without immediate state intervention, California risks a cascade of hospital closures that would create care deserts and compromise patient safety.

For these reasons, California Hospital Association (CHA), on behalf of nearly 400 hospitals and health systems, respectfully requests an appropriation of \$300 million for the Distressed Hospital Loan Program Fund and expedited loan forgiveness for current loan recipients.

This critical funding would provide additional rounds of assistance to hospitals facing significant financial distress and prevent further closures that would severely impair access to health care across California. Additionally, the deadlines to repay loans received under the first funding round have arrived, and the repayments themselves — combined with looming federal cuts — will cause participating hospitals to return to financial distress.

The Distressed Hospital Loan Program, established by Assembly Bill (AB) 112 (Chapter 6, Statutes of 2023), has proven to be a resounding success for preventing hospital closures and service cuts. It saved 15 hospitals from

closing or severely curtailing services, and was instrumental in helping Madera Community Hospital reopen its doors. The program, administered jointly by the California Health Facilities Financing Authority and the Department of Health Care Access and Information, succeeded in swiftly providing stabilization funds while also promoting accountability and sustainability for participating hospitals.

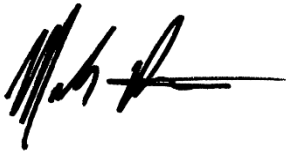
However, financial strain on California's hospitals has continued to grow since 2023. In the past three years, four California hospitals have closed or been saved from closure by last-minute bailouts. In 2025 alone, five hospitals shuttered service lines, including vital maternity units, pediatric units, and more. And last year, nearly 3,500 hospital workers in California lost their jobs.

This \$300 million request, which is part of AB 1923 (Soria, D-Merced), would also ensure forgiveness for prior loans under the Distressed Hospital Loan Program. This is contingent on the participating hospital's substantial compliance with program requirements and a determination that repayment would result in financial distress due to loan repayment obligations or external factors, including OBBBA's impacts.

In addition, AB 1923 would expand the program's existing participation limits beyond its current scope of only independent nonprofit and public hospitals to ensure that all hospitals experiencing financial distress can be considered for a loan. This critical change in loan program eligibility is needed to protect access to acute and lifesaving care in communities across California.

Hospitals appreciate your consideration of this request and your continued commitment to ensuring stable access to health care for all Californians.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Farouk', with a long horizontal flourish extending to the right.

Mark Farouk
Vice President, State Advocacy

cc: The Honorable Members of Senate Budget Committee
The Honorable Members of Assembly Budget Committee
The Honorable Members of Senate Budget Subcommittee No. 3
The Honorable Members of Assembly Budget Subcommittee No. 1