IMPERIAL VALLEY **REGIONAL**
CHAMBER *of* COMMERCE

March 26, 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 the Imperial Valley Regional Chamber of Commerce (IVRCC), 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.

IVRCC is dedicated to promoting economic growth, supporting local businesses, and advocating for policies that strengthen the regional economy and quality of life across Imperial Valley.

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.

IVRCC supports this request because access to stable, high-quality health care is essential to maintaining a strong workforce and a resilient regional economy. Hospitals in Imperial Valley serve as critical infrastructure for both public health and economic stability, and their financial sustainability directly impacts local businesses, job retention, and community well-being.

For these reasons, long term forgiveness of the Distressed Hospital Loan Program would IVRCC's would further the Chamber's goal of fostering a healthy economic environment by ensuring that residents and businesses have reliable access to essential health services, which are foundational to workforce productivity, business attraction, and long-term regional prosperity and we are proud to support.

Best regards,

Sher Cowie
CEO

Cc: File