

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1923 (Soria) – As Amended April 23, 2026

Policy Committee: Health

Vote: 16 - 0

Urgency: Yes

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill expands eligibility for state assistance under the Distressed Hospital Loan Program (DHLP) to include any hospital, regardless of ownership type or system affiliation. The bill requires the Department of Health Care Access and Information (HCAI) to provide loan forgiveness to a DHLP participant that meets specified conditions. The bill appropriates \$300 million from the General Fund to the DHLP Fund in fiscal year 2025-26 and requires any funds transferred to be available for encumbrance or expenditure until December 31, 2034. The bill abolishes the DHLP Fund on December 31, 2034, and is repealed on January 1, 2035. The bill contains an urgency clause.

Specifically, this bill:

- 1) Requires the methodology for determining financial distress to include projections that account for effects of federal and state policy changes affecting hospital reimbursement or health care coverage, including, but not limited to, Public Law No. 119-21 (H.R.1).
- 2) Requires the criteria for assessing a hospital's eligibility for the DHLP include the fiscal condition of the hospital, including revenues, reserves, profits, credit rating, debt capacity, capital investment, commercial prices, and assets of the hospital and associated entities, and specifies that to assess the fiscal condition of the hospital, the authority and department shall review financial reports from the hospital and consolidated financial statements from associated entities, if applicable.
- 3) Requires HCAI, no later than two months after the effective date of this bill, to provide loan forgiveness to any participant of the program who received a DHLP loan before this bill takes effect, if HCAI and CHFFA determine the participant has demonstrated a good faith effort to comply with program requirements through January 1, 2026, and financial projections demonstrate the participant will become financially distressed because of loan repayments under the program or other outside factors, including H.R. 1.
- 4) Requires the Department of Finance to transfer \$300 million from the General Fund to the DHLP Fund in state fiscal year 2025–26 to provide additional rounds of funding to hospitals in financial distress.
- 5) Extends the sunset date of the DHLP from January 1, 2032, to January 1, 2034, and contains an urgency clause, among other provisions.

FISCAL EFFECT:

This bill appropriates \$300 million from the General Fund to the Distressed Hospital Loan Program Fund in fiscal year 2025-26 to provide additional rounds of funding to hospitals in financial distress.

In addition, the author has requested an allocation of \$300 million in the state budget (General Fund).

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by California Hospital Association (CHA). According to the author:

In January of 2023 Madera Community Hospital (MCH) shut its doors and filed for bankruptcy, leaving thousands of people in the Central Valley without timely access to emergency care. In response to the closure of MCH and the significant financial challenges facing hospitals around the state, particularly those serving rural or large Medi-Cal populations, the Legislature created the [DHLP] to prevent other hospital closures and help reopen MCH. The \$300 million program has been a success, saving 15 hospitals from closing or severely curtailing services, and helping MCH reopen its doors.

Since the conclusion of the program, financial strain on California's hospitals has continued to grow with four California hospitals closing or being saved from closure by last-minute bailouts. In addition to existing financial difficulties, healthcare cuts passed by Congress in H.R. 1 are set to create a healthcare financing crisis in the state. Without direct intervention, these cuts threaten to upend California's entire hospital system.

[This bill] would provide relief to California's most distressed hospitals by investing a new round of funding into the program to give loans to newly financially distressed hospitals and granting loan forgiveness for current recipients of distressed hospital loans to the extent that repayment would cause financial distress.

- 2) **Background.** AB 112 (Committee on Budget), Chapter 6, Statutes of 2023, established the DHLP. DHLP provides interest free cashflow loans to not-for-profit hospitals and public hospitals in significant financial distress, or to governmental entities representing closed hospitals. The loans are zero-interest and are repayable over 72 months, with an initial 18-month grace period at the beginning of the loan term. The DHLP is jointly administered by HCAI and CHFFA. Sixteen hospitals have received awards ranging in size from \$2 million to \$33.2 million, for a total of \$300 million.

When the initial DHLP loans' 18-month grace periods began to expire, HCAI and CHFFA established a formal loan modification process rather than grant blanket extensions. Borrowers seeking a loan modification must complete a two-step process. Step one is a 12-month extension of the payment deferral period and maturity date with a recast of the amortization over 60 months. Step two is forgiveness of the next succeeding 12 months of principal debt service, and Step two may only be considered after Step one has first been approved.

- 3) **Prior Legislation.** AB 2271 (Ortega), of the 2023-24 Legislative Session, would have required HCAI to approve the forgiveness of a DHLP loan for St. Rose Hospital in the City of Hayward. AB 2271 was vetoed by Governor Newsom, who stated, in part:

The DHLP was established in 2023 with \$300 million to offer interest-free loans to non-profit and publicly operated hospitals in financial distress...As part of the DHLP statute, HCAI is required to develop loan modification and forgiveness guidelines that all hospitals may apply for. These guidelines will be released before the end of the year, and I encourage St. Rose Hospital to pursue loan forgiveness through this path.

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