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# Assembly California Legislature



**EDUARDO GARCIA**  
ASSEMBLYMEMBER, FIFTY-SIXTH DISTRICT

STANDING COMMITTEES

CHAIR: UTILITIES AND ENGERY  
APPROPRIATIONS  
COMMUNICATIONS AND CONVEYANCE  
GOVERNMENTAL ORGANIZATION

May 19, 2022

The Honorable Phil Ting  
Chair, Assembly Budget Committee  
1021 O Street, Room 8230  
Sacramento, 95814

The Honorable Nancy Skinner  
Chair, Senate Budget Committee  
1021 O Street, Room 8630  
Sacramento, 95814

## **RE: District Hospital Seismic Infrastructure Funding**

Dear Assemblymember Ting and Senator Skinner:

In light of the \$97.5 billion budget surplus, the undersigned members of the California State Assembly and Senate respectfully request the inclusion of \$1 billion for Public District Hospitals, for the purpose of meeting the 2030 Seismic Mandate. This request seeks a one-time expenditure of \$1 billion, in Fiscal Year (FY) 2022-23, for the 32 District Hospitals to fund new or ongoing infrastructure seismic compliance projects. Without this funding, these public hospitals will struggle to meet the deadline and face closures.

District Hospitals are public entities that services California's most vulnerable populations, including high volumes of Medi-Cal enrollees. These hospitals serve rural and remote areas of the state, provider shortage areas, and urban underserved areas. In many communities they are to sole provider of health care, or the sole provider of care to the uninsured or underinsured. Of the 76 healthcare districts throughout the state, 32 have hospitals, 17 of which are critical access. District hospitals are funded nominally by their communities through taxes but primarily through reimbursement for services, this means they face significant financial challenges in generating funding for capital outlay—especially of this magnitude. The Administration has signaled that infrastructure is critically important and, in that thread, we believe funding should be extended to preserve hospital care for the state's most vulnerable.

While it is hard to quantify with certainty the total cost for all districts to meet the 2030 mandate, it is approximately \$3 billion, with small hospital projects estimated at \$45 million and larger projects in the hundreds of millions. For District Hospitals they must go to their voters to approve a bond or tax to fund these projects or to leverage government financing. These initiatives often fail and given the current economy are likely to remain unsuccessful. With no additional revenue or support, District Hospitals struggle to even secure financing to begin these projects. Additionally, as public entities they must already pay prevailing wage which significantly increases the costs of these projects.

The COVID-19 pandemic impacted all health care providers, but especially public providers like, healthcare districts creating another financial setback. With only eight years remaining until 2030, hospitals must begin construction now. Without state funding, public District Hospitals will face closures or consolidation regardless of any mandate modifications. This investment is appropriately timed as California has a significant budget surplus that is too volatile for significant ongoing spending. Additionally, this proposal counts against the State Appropriations Limit.

We are seeking this budget investment to ensure these public hospitals remain open to provide essential live saving services to their communities. This one-time funding will serve as a way for District Hospitals to finance their 2030 retrofit and rebuild projects to meet the mandate. Hospitals of all kinds have proven to be some of the most critical infrastructure that our constituents rely on and as we invest in health, technology, business and rebuilding California we believe this appropriation should be included.

The \$1 billion state budget appropriation will keep these public hospitals open to serve all Californians for years to come. Thank you very much for the consideration of this request. If you have any questions do not hesitate to reach out to Rexford Scott in my office at [Rexford.Scott@asm.ca.gov](mailto:Rexford.Scott@asm.ca.gov) or 916.319.2056.

Sincerely,



Assemblymember Eduardo Garcia  
56th Assembly District