

Date of Hearing: August 28, 2024

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

SB 1070 (Padilla) – As Amended August 22, 2024

SENATE VOTE: 37-0

SUBJECT: Health care district: County of Imperial.

SUMMARY: Authorizes the Imperial Valley Healthcare District (IVHD) to place a permanent funding source mechanism on the ballot on or before the November 2026 election instead of the March 2024 or November 2024 election, as specified in existing law. Specifically, **this bill:**

- 1) Specifies that the initial board of directors, elected board of directors, or a combination of the initial and elected board of directors of the IVHD shall recommend a permanent funding source mechanism to be presented to the voters via ballot measure, and requires the funding source mechanism to be placed on the ballot on or before the November 2026 election, instead of the March 2024 or November 2024 election, as specified in existing law.
- 2) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable because of the unique community needs in Imperial County served by IVHD which includes all of Imperial County, providing health care services for an underserved population that suffers from a higher than average prevalence of preventable disease.
- 3) Makes other technical and conforming changes.

FISCAL EFFECT: None.

COMMENTS:

- 1) **Background.** Near the end of World War II, California faced a severe shortage of hospital beds. To respond to the inadequacy of acute care services in rural areas, the Legislature enacted the Local Hospital District Law, to provide medically underserved areas without access to hospital facilities a source of tax dollars that could be used to construct and operate community hospitals. SB 1169 (Maddy), Chapter 696, Statutes of 1994, changed the name of the principal act to "The Local Healthcare District Law" to better reflect the shift in the provision of healthcare services outside hospital settings.

The powers and duties granted to healthcare districts under existing law have remained largely unchanged while the demographics of areas being served by the districts, access and provision of healthcare services, and the districts themselves have vastly changed. For example, following the change in law in 1994, at least 14 healthcare districts have filed for bankruptcy, and over one-third of the healthcare districts in California have either closed or sold their hospital. State law allows healthcare districts to exercise various powers, including to lease or own property; build and operate healthcare facilities and services, including emergency services, free clinics, diagnostic and testing centers, health education programs, wellness and prevention programs, rehabilitation, and aftercare; to provide assistance to other entities to carry out those services; and to sell their assets.

- 2) **Pioneers Memorial Healthcare District (PMHD).** According to the Imperial Local Agency Formation Commission (LAFCO), PMHD was formed on July 8, 1974 and serves an estimated population of 181,000, as of this year, in Imperial County. PMHD has a five member board of directors and operates a 107-bed hospital located in Brawley, California. According to PMHD, "Pioneers was developed in the 1940s by community leaders with a vision for expanded health services in the northern part of Imperial County. Through their foresight and devotion to this worthy cause Pioneers Memorial Hospital and the Pioneers Memorial Healthcare District were created."
- 3) **Heffernan Memorial Healthcare District (HMHD).** According to the district Executive Officer's report to the Imperial LAFCO in 2021, HMHD was formed as a hospital district in 1947 and is located in Calexico, serving a population of approximately 40,000. HMHD filed for bankruptcy in 1995 and HMHD's hospital closed in 1998. The board consists of five members, who are elected by HMHD's residents. HMHD's business plan update from April, 2021, stated it is "focused on implementing and sponsoring programs that increase awareness to healthcare services and education for the Calexico community..."
- 4) **El Centro Regional Medical Center (ECRMC).** ECRMC is owned by the City of El Centro, and operates a 161-bed hospital. The City appoints a board to operate the hospital. ECRMC has had a series of financial challenges that led to the closure of its maternal and child services ward. ECRMC also has to pay back \$125 million in bonds it issued to finance seismic upgrades on the hospital.

To respond to financial challenges that hospitals face in California, AB 112 (Committee on Budget), Chapter 6, Statutes of 2023, gave up to \$150 million to the newly created Distressed Hospital Loan Program, which offers interest-free, working capital loans to financially distressed hospitals while they implement turnaround strategies to regain financial viability. ECRMC received \$28 million from the Distressed Hospital Loan Program.

- 5) **Imperial Valley Healthcare District.** AB 918 (Garcia), Chapter 549, Statute of 2023, created the IVHD which includes the entirety of Imperial County, including the jurisdictions of the PMHD and HMHD. The initial board of directors includes the following members:
 - a) One member from and appointed by PMHD.
 - b) One member from and appointed by HMHD.
 - c) One member from the City of El Centro appointed by the public health director of Imperial County. This member must be a resident of the City of El Centro, but cannot be a City of El Centro employee, an elected official of the City of El Centro, or an employee or board member or former board member of the ECRMC.
 - d) One member of the public appointed by the Board of Supervisors of Imperial County who must be a resident of the unincorporated areas of Seely or Ocotillo, or a county board supervisor that represents that area.
 - e) One tribal member from and appointed by the Quechan tribe. If a member is not appointed by the tribe within the 60-day timeframe, then the county board of supervisors

may appoint a member of the public from the Winterhaven area.

- f) One member from the City of Imperial appointed by the City.
- g) One member from the City of Holtville appointed by the City.

The appointing bodies had 60 days to appoint members to the initial board of directors and all seven members have been appointed. The initial board of directors was required to determine and adopt voting districts for the board of directors by July 1, 2024 for future elections, and the board must consist of all elected members by the conclusion of the 2028 general election. The initial board of directors was also required to do the following:

- a) Create a staggered board of directors by choosing a number of board members to remain on the board following the first specified election.
- b) Recommend a permanent funding source mechanism to be presented to and approved by voters via ballot measure. The funding source mechanism must be placed on the ballot for the March 2024 or November 2024 election. The initial board of directors, in collaboration with the Imperial County LAFCO, must use the financial feasibility studies conducted by the Imperial County LAFCO and Kaufman Hall to determine the funding source mechanism.
- c) Enter negotiations with the ECRMC to decide the terms of the acquisition of the hospital. Upon reviewing the financial feasibility studies conducted by the Imperial County LAFCO and Kaufman Hall and confirming the financial viability of integrating the ECRMC into the district, the initial board of directors must determine the terms of the acquisition of the hospital. If the initial board of directors chooses to acquire the ECRMC, the hospital shall be acquired with all of its assets and liabilities. The initial board of directors must finalize the terms of acquiring the hospital by November 5, 2024. The City of El Centro is required to negotiate in good faith with IVHD, but is not required to sell the hospital to IVHD or agree to the terms that the initial board of directors finalizes.
- d) Recommend to the Imperial County LAFCO a date for the dissolution of the PMHD and HMHD. The dissolution date must be between July 1, 2024, and January 1, 2025. The initial board of directors is not required to recommend the same date for dissolution for both districts.
- e) Hold a minimum of three public meetings prior to January 1, 2025 to discuss the establishment of IVHD, the cost savings of having one countywide healthcare district, and the findings of the financial feasibility studies conducted by Imperial County LAFCO and Kaufman Hall. The second meeting must inform the public of the recommended permanent funding source mechanism, and the third meeting must inform the public about the acquisition of the ECRMC.
- f) If the board votes to acquire the ECRMC, a fourth meeting is required to be held to disclose the terms of the acquisition to the public and present a financial plan to finance the acquisition and ongoing operations of hospitals in IVHD.

After receiving the recommendations from the IVHD board of directors, the Imperial County LAFCO was required to determine the appropriate dates to dissolve HMHD and PMHD. AB 918 required both HMHD and PMHD to be dissolved by January 1, 2025. According to the Imperial County LAFCO website, the LAFCO approved IVHD's recommendation to dissolve HMHD on July 25 of this year. IVHD recommended the dissolution of PMHD on December 1, 2024, which is awaiting LAFCO approval.

- 6) **Funding Source Mechanism.** AB 918 required IVHD to recommend a permanent funding source mechanism to be presented to and approved by voters via ballot measure. The funding source mechanism was required be placed on the ballot for the March 2024 or November 2024 election, and the initial board of directors, in collaboration with the Imperial County LAFCO, was obligated to use the financial feasibility studies conducted by the Imperial County LAFCO and Kaufman Hall to determine the funding source mechanism. IVHD failed to place a measure on either ballot.

In a resolution adopted by IVHD on August 8th, IVHD proclaims that the, "IVHD Board of Directors have encountered unanticipated obstacles relating to the funding source mechanism which currently prevent it from making a responsible and fully informed recommendation; for example, and despite its best efforts, IVHD has been unable to secure the requisite participation from Pioneers Memorial Healthcare District ("PMHD") in updating the Kaufman Hall study, PMHD has been unwilling to sign a nondisclosure agreement to facilitate the production of critical financial data, PMHD has provided an estimated production date of August 30, 2024 in response to demands for records which were sent in April 2024, and PMHD has sued IVHD and Imperial LAFCO over the implementation of AB 918, which has strained community relations, contributed to massive misinformation of the Imperial Valley community, and financially burdened both IVHD and LAFCO.

"...altogether, these actions have hampered the IVHD Board of Directors' ability to make a sound, fully informed and reasoned determination regarding a funding mechanism within the time frame contemplated by AB 918...the IVHD Board of Directors has requested from the Legislature an extension of time to gather and evaluate current and essential data, ensuring that the IVHD Board of Directors can make a well-informed and compelling recommendation that will not adversely impact the financial well-being of Imperial County voters...the IVHD Board of Directors intends to update the Kaufman Hall study as soon as PMHD produces the required information and records and thereafter present a permanent funding source mechanism to considered and approved by voters via ballot measure pursuant to Health and Safety Code § 32203, as appropriate."

- 7) **Bill Summary and Author's Statement.** This bill authorizes IVHD to place a permanent funding source mechanism on the ballot on or before the November 2026 election instead of the March 2024 or November 2024 election, as specified in existing law. The author is the sponsor of this bill.

According to the author, "With only two hospitals serving patients in Imperial County, the region faces serious challenges connecting residents with healthcare providers. This urgent disparity prompted the creation of the Imperial Valley Healthcare District (District), a countywide healthcare system to stabilize healthcare in one of the state's most underserved communities. This measure would extend the District's deadline to recommend and present a permanent funding source mechanism to voters on or before the November 2026 election."

- 8) **Arguments in Support.** None on file.
- 9) **Arguments in Opposition.** According to the Association of California Healthcare Districts, “Specifically, SB 1070 extends the provision of AB 918 (Garcia, 2023) that required the Imperial Valley Healthcare District (IVHD) to place a tax initiative on the March or November 2024 ballot to March or November 2026. ACHD firmly supports and has attempted to preserve existing local processes when appropriate. In this case IVHD did fail to meet the statutorily provided deadlines. It is not our organizations position that the legislature, should continue to circumvent existing law, especially given the truncated timeline for feedback and review on this legislation.

“While we are hopeful that IVHD will be a fully functioning healthcare district, helping to uplift the health of the Imperial Valley, AB 918 was not without consequences that have resulted in continued and ongoing litigation at the federal and state level. These issues surrounding the legality of AB 918 and implementation of IVHD are currently being litigated. ACHD asks that not only the local process be respected, but also the ongoing discussion in the courts be allowed to play out.

“SB 1070 circumvents the local process with 5-days remaining in the legislative session for meaningful discussion, there is simply not enough time to ensure this is the appropriate approach to preserving and expanding access to care.”

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

Association of California Healthcare Districts
Imperial Valley Coalition for Sustainable Healthcare Facilities (unless amended)
Pioneers Healthcare District (unless amended)

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958