

Senate Bill 393

Sponsored by Senator MORRISETTE

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires residential care facilities to maintain specified liquid reserve funds.

A BILL FOR AN ACT

Relating to the financial solvency of residential care facilities; and appropriating money.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 2 of this 2009 Act is added to and made a part of ORS 443.400 to 443.455.

SECTION 2. (1) A residential care facility shall establish and maintain at all times in an insured institution, as that term is defined in ORS 706.008:

(a) A debt service liquid reserve in an amount equal to or exceeding the total of all principal and interest payments due during the next 12 months on account of a mortgage loan or other long term financing of the residential care facility, taking into consideration any anticipated refinancing; and

(b) An operating liquid reserve in an amount equal to or exceeding the total of the facility's projected operating expenses for three months. For the purpose of calculating the amount required for the operating liquid reserve, projected operating expenses include any anticipated expenses associated with operating the facility and providing health and social services to all residents.

(2) The Department of Human Services may require a facility to place the reserves with an escrow agent licensed under ORS chapter 696.

(3) The department may allow a facility to withdraw or borrow from the reserves an amount of moneys that does not exceed 20 percent of the facility's total required reserves. The department may approve a withdrawal or borrowing only for the use of the facility and not for the benefit of a parent company or subsidiary of the facility. The department may approve a withdrawal or borrowing from reserves:

(a) If required for the facility to make an emergency repair or replacement of buildings, grounds or equipment;

(b) To cover a catastrophic loss that is not covered by insurance; or

(c) For debt service in a potential default situation.

(4) Within 18 months, the facility must repay to the reserve accounts all funds borrowed, in accordance with a payment plan and at a rate of interest approved by the department.

(5) The department shall conduct a random audit of all residential care facilities licensed in this state at a frequency and in a manner prescribed by the department by rule, to verify compliance with the requirements of this section. The department by rule shall prescribe

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **record keeping requirements for facilities that will enable the department to carry out audits**
2 **under this subsection. The department shall compile and maintain for public inspection an**
3 **annual report of the audits conducted under this subsection.**

4 **(6) The department may impose a surcharge on residential care facility licensing fees**
5 **required under ORS 443.415 to defray the costs incurred in conducting audits under sub-**
6 **section (5) of this section and other expenses incurred in enforcing this section. Any sur-**
7 **charges collected by the department are continuously appropriated to the department to**
8 **carry out the requirements of this section.**

9 **SECTION 3. Section 2 of this 2009 Act applies to applications for licenses or for renewals**
10 **of licenses of residential care facilities that are submitted to the Department of Human**
11 **Services on or after the effective date of this 2009 Act.**

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