

## Item 7: Oregon Business Development Department

### Rural Hospital Stabilization Loans

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**Analyst:** Steve Bender

**Request:** Establish a \$50,000,000 Federal Funds expenditure limitation for business, innovation and trade, to establish a loan program for stabilizing rural Type A and Type B Hospital operations.

**Description:** Many small and rural hospitals in Oregon face budget shortfalls owing to the economic conditions arising from actions to reduce the number and severity of COVID-19 infections. Specifically, non-emergency procedures, which provide revenues to the hospitals, have been suspended to address the COVID-19 pandemic. These procedures are expected to be rescheduled at a later date, but the suspension creates cash flow issues that could require hospitals to lay off staff.

Most small and rural hospitals are eligible to apply for federal assistance under the CARES Act Paycheck Protection Program to manage this cash flow problem. This request, however, would provide additional support for Oregon's thirty-three rural Type A and Type B Hospitals.

The Oregon Business Development Department (OBDD) would distribute up to \$50 million in loans to rural hospitals to help them cover payroll costs, retain critical employees, and stabilize finances until elective procedures can be resumed. Hospitals would repay the loans after their normal operations resume. The distributions would be used primarily to support hospital payroll costs and would be based on a percentage of those costs. The amount of the loans are expected to be net of any other federal resources provided directly to the affected hospitals by the federal CARES Act or any subsequent federal act that provides funding to eligible hospitals.

The source of the Federal Funds is money available from the Coronavirus Relief Fund (CRF) program of the federal CARES Act. These funds will be transferred from the Department of Administrative Services to OBDD. CRF funds are restricted to necessary expenditures incurred due to the public health emergency with respect to COVID-19 during the period from March 1, 2020 through December 30, 2020.

**Recommendation:** The Co-Chairs of the Emergency Board recommend approval of establishing a \$50,000,000 Federal Funds expenditure limitation for the Oregon Business Development Department, for business, innovation and trade, for a loan program for stabilizing rural Type A and Type B Hospital operations.