

**Testimony on Nursing and Basic Care Facility
Loan Guarantee Program
House Human Services Committee
January 28, 2025
HB 1550**

Chairman Ruby and members of the House Human Services Committee. My name is Nikki Wegner, President of the North Dakota Long Term Care Association. We represent 182 assisted living, basic care, and skilled nursing facilities in North Dakota. Thank you for the opportunity to testify in support of HB 1550, the proposed \$100 million loan guarantee program for skilled nursing facilities (SNFs) and basic care (BC) facilities in North Dakota. This program is a critical companion to the Long-Term Care Facility Infrastructure Loan Fund HB 1619 and addresses significant barriers to financing for facility improvements.

Aging Facilities and the Need for Upgrades

Many SNFs and BC facilities in our state are aging and require substantial renovations, updated equipment, and infrastructure improvements to meet modern care standards. These upgrades are not optional—they are essential for:

- **Safe Environments:** Outdated facilities can pose safety risks for residents and staff.
- **Efficient Operations:** Modernized infrastructure reduces costs and improves sustainability.
- **High-Quality Care:** Up-to-date equipment and spaces enhance the quality of life and care for residents.

Without these necessary investments, facilities risk falling behind in their ability to provide the care that residents deserve.

Financial Barriers to Facility Improvements

Securing affordable loans for these projects has become increasingly challenging due to current market conditions. Key barriers include rising interest rates (5-7%) which make borrowing prohibitively expensive for many facilities and perceived lender risks. Financial institutions often view long term care facilities, particularly those in rural areas, as high-risk borrowers, limiting access to traditional financing.

These barriers have left many facilities unable to pursue the critical improvements necessary to meet today's care standards.

Broader Community and Economic Benefits

Investing in facility improvements has a ripple effect that benefits not only the care sector but also local communities and economies:

- **Economic Growth:** Renovations and infrastructure projects create jobs in construction, equipment manufacturing, and other industries.

- **Improved Resident Experience:** Modernized facilities enhance the quality of life for residents, making these facilities more welcoming and comfortable.
- **Workforce Attraction and Retention:** Updated environments improve working conditions, helping to recruit and retain dedicated staff.

The Nursing and Basic Care Facility Loan Guarantee Program

The proposed nursing and basic care facility loan guarantee program is a proactive solution to address these financial challenges. By reducing lender risk, this program would encourage financial institutions to provide loans to SNFs and BC facilities. Key benefits of the program include:

- **Lower Interest Rates:** With reduced risk, lenders can offer more competitive rates, saving facilities significant amounts in borrowing costs.
- **Increased Loan Availability:** Facilities, especially those in rural areas, would have greater access to financing for critical projects.
- **Expanded Project Capacity:** By facilitating more affordable loans, facilities could take on renovations, upgrades, and other infrastructure improvements that might otherwise be financially unattainable.

This program has the potential to unlock much-needed resources for long term care facilities statewide.

HB 1550 proposes a new chapter to title 6 of the North Dakota Century Code, relating to a nursing and basic care facility loan guarantee program.

Nursing and Basic Care Facility Loan Guarantee Program - Administration.

SECTION 1, starting on line 6, establishes the nursing and basic care facility Loan Guarantee Program, administered by the Bank of North Dakota (BND). The program is designed to guarantee loans for the construction or renovation of nursing facilities and basic care facilities. The Bank will define the types of loans and projects eligible for guarantees.

Additionally, the Bank is empowered to manage funds or property from any source on behalf of the state for the program's purposes. The Bank may receive and manage property, funds, or assets from any source, including public or private entities, to support the nursing and basic care facility loan guarantee program. The Bank can also use any income generated from these assets to further the program's goals, such as guaranteeing loans or maintaining the reserve fund. The Bank's guarantee obligations are limited to funds made available specifically under this program, ensuring financial safeguards are in place. The Bank is not responsible for covering loan guarantees using its general funds or resources. Instead, the Bank can only use funds that have been specifically allocated or made available to the nursing and basic care facility loan guarantee program under this chapter. This ensures that the program is financially self-contained and does not expose the Bank's broader operations or other funds to potential risk.

Establishment and maintenance of adequate guarantee funds - Use of strategic investment and improvements fund.

SECTION 1, starting on line 14, the Bank will establish and maintain a dedicated guarantee reserve fund, held in a special account. This fund is essential for covering potential defaults on guaranteed loans.

- The Bank may request transfers from the Strategic Investment and Improvements Fund to maintain one hundred percent of the guarantee reserve fund balance.
- Transfers from the strategic investment and improvements fund may not exceed a total of \$100 million.
- These funds are available to reimburse lenders in the event of loan defaults, ensuring confidence in the program among participating lenders.
- Any interest or earnings from the reserve fund are reinvested into the fund, promoting long-term sustainability.
- The Bank will use a formula to ensure adequate reserves are available to cover all guaranteed loans.

Procedure on default of guaranteed loan.

Beginning on the second page, line 1, if a guaranteed loan defaults, the Bank will reimburse the lender from the reserve fund to the extent the loan was guaranteed.

- The lender must certify the default to the Bank. Upon payment, the loan documents are transferred to the Bank to enable collection of the outstanding debt.
- The Bank has authority to pursue repayment of defaulted loans without being hindered by statutes of limitations, ensuring all debts are recoverable.
- Recovered funds, minus collection fees, are returned to the reserve fund to replenish resources and maintain the program's financial health.

Fees for reasonable costs.

Line 12, the Bank is authorized to charge reasonable fees to participating lenders to cover the costs of administering the program. Excess fees, beyond what is needed for administrative expenses, are deposited into the reserve fund to further enhance its stability. This ensures the program operates efficiently while maintaining sufficient reserves to back guaranteed loans.

Closing

In conclusion, many of North Dakota's skilled nursing and basic care facilities are aging and urgently need upgrades to provide safe, efficient, and high-quality care. However, financial barriers such as high-interest rates and perceived lending risks make these improvements unattainable for many facilities, especially in rural areas. Establishing the proposed loan guarantee program will not only address these challenges but also generate broad community benefits, including economic growth, better care environments for residents, and improved working conditions to attract and retain staff. This program is a critical step toward ensuring the future of long-term care in our state.

Chairman Ruby, members of the committee, I urge your support for this important initiative to strengthen the future of long term care in North Dakota. Thank you for your time and consideration, and I am happy to answer any questions.

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