

Testimony on Long-Term Care Facility Infrastructure Loan Fund
House Human Services Committee
January 28, 2025
HB 1619

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 1619 on the critical need for infrastructure improvements in North Dakota's skilled nursing (SNFs) and basic care (BC) facilities. These facilities are essential to our communities, and investing in their future is crucial for ensuring high-quality, safe, and efficient care for residents.

Aging Infrastructure and Modern Care Standards

Many of North Dakota's long term care facilities are aging and in urgent need of renovations, updated equipment, and infrastructure improvements. These upgrades are necessary to meet modern care standards and provide:

- **Safe Environments:** Outdated infrastructure poses safety risks for residents and staff.
- **Efficient Operations:** Modern systems reduce energy and operational costs.
- **High-Quality Care:** Updated facilities enhance resident comfort and support better health outcomes.

Without these improvements, facilities risk falling behind, jeopardizing their ability to serve their communities effectively.

Financial Barriers to Renovation

Current market conditions make securing affordable loans particularly challenging for long term care facilities, especially those in rural areas.

Two key factors contribute to this issue:

1. **High-Interest Rates:** Rising interest rates increase borrowing costs, putting large-scale projects out of reach for many facilities.
2. **Perceived Lender Risks:** Financial institutions often view SNFs and BC facilities as higher-risk borrowers, further limiting access to financing.

These barriers leave facilities unable to pursue necessary upgrades, further exacerbating the challenges of providing quality care in aging buildings.

Long-Term Care Facility Infrastructure Loan Fund: A Cost-Effective Solution

HB 1619 proposes a new section to chapter 6-09 of the North Dakota Century Code to establish a long-term care facility infrastructure loan fund and details its structure, purpose, and operations.

In SECTION 1, starting on line 8, the Bank of North Dakota will oversee the loan program designed to support nursing and basic care facilities. Loans are intended to finance renovation projects or the construction of new facilities. Projects may also include land acquisition and improvements to physical structures, provided these activities align with the facility's governing body's authority.

In SECTION 1, line 13, the loan fund is proposed to be a special fund maintained in the state treasury from which the Bank shall provide loans under this section. Its funding will come from legislative transfers, interest earnings, and repayments on prior loans. All monies in the fund are appropriated on a continuing basis to the Bank for administering loans.

In SECTION 1, line 19, nursing and basic care facilities seeking loans must submit an application to the Bank of North Dakota. Applications must:

- Outline the specifics of the proposed construction project.
- Demonstrate the project's necessity and long-term viability.
- Provide sufficient financial documentation to verify eligibility.

In SECTION 1, line 24, loan approval proposed under this section are subject to specific terms:

- Loans cannot cover more than 50% of total project costs.
- A single project may not exceed \$10 million.
- Must have an interest rate that does not exceed 1%.
- Loan repayment terms cannot exceed 30 years.

On the second page, line 5, loan recipients must finish the funded construction project within 24 months of loan approval. Failure to meet this deadline may result in forfeiture of the entire loan. This provision ensures timely use of funds and accountability for completing projects.

Line 8, all repayments (principal and interest) return to the loan fund to sustain its operations. The Bank may deduct service fees from interest payments to cover administrative costs. Annual audits will ensure transparency and accountability, with audit expenses paid from the fund itself.

In SECTION 2, starting on line 13, the bill details the funding mechanism for launching the loan program:

- The Office of Management and Budget will transfer \$100 million from the state's Strategic Investment and Improvements Fund to the long-term care facility infrastructure loan fund.
- This transfer will occur beginning July 1, 2025, and ending June 30, 2027, establishing the initial pool of capital for loans.

Hospitals in North Dakota have benefitted from a similar infrastructure loan program established in 2013, and its success demonstrates the value of providing targeted financial support to essential healthcare facilities. The program has enabled hospitals to modernize their infrastructure, improve patient care, and meet regulatory standards while ensuring financial sustainability. By using this proven model as inspiration, we can extend these benefits to our state's nursing and basic care facilities, which are equally critical to the healthcare continuum.

The proposed \$100 million allocation for the long-term care facility infrastructure loan fund is a necessary starting point to address the pressing needs of these facilities. This amount has been carefully calculated based on the significant rise in construction costs over recent years. Cost per square foot for construction less than two years ago for one rural location was \$248.86 whereas a current project received a quote for \$740 a square foot. Inflation and increased demand for materials and labor have made it substantially more expensive to undertake renovation and construction projects. These challenges are especially acute in rural areas, where financial resources are often more constrained, and access to affordable financing can make the difference between success and closure.

Additionally, the scale of need in the long-term care sector far surpasses that of hospitals. While North Dakota's hospital loan fund, established 12 years ago, has been highly successful, our state has 56 total hospitals, compared to 74 nursing facilities and 65 basic care facilities. Each of these facilities faces unique infrastructure challenges that threaten their ability to provide safe, efficient, and high-quality care. Without comparable support, these facilities cannot modernize or meet the growing demands of the communities they serve.

Based on current estimates, this initial \$100 million investment could support projects of more than 10 facilities this biennium, addressing critical infrastructure needs like renovations, new construction, and equipment upgrades. The revolving structure of the fund adds to its sustainability. As facilities repay their loans with interest, these payments will replenish the fund, creating a continuous revenue stream. Over time, the Bank of North Dakota can extend additional loans, ensuring the long-term viability and ongoing impact of the program.

This program is more than a one-time infusion of resources, it is a forward-thinking solution tailored to meet the immediate and long-term infrastructure needs of North Dakota's long term care facilities. By investing in this fund, you are not only enabling critical upgrades today but also laying the groundwork for a sustainable and thriving long term care system that benefits residents, staff, and communities for decades to come.

Economic and Community Benefits

Investing in facility improvements extends benefits beyond the care sector, positively impacting local economies and communities:

- **Economic Growth:** Renovation projects create construction jobs, stimulate equipment purchases, and generate demand for local goods and services.
- **Improved Resident Experience:** Upgraded facilities offer a more comfortable and welcoming environment for residents.
- **Enhanced Workforce Appeal:** Modern facilities attract and retain staff, addressing workforce challenges by creating a more appealing place to work.

These investments strengthen not only the facilities but also the communities they serve, ensuring long-term viability and quality of life for residents and staff alike.

Closing

Chairman Ruby, members of the committee, the proposed long-term care facility infrastructure loan fund is a thoughtful and necessary solution to address the financial barriers faced by our long-term care facilities. By supporting this initiative, you can help ensure that North Dakota's SNFs and BC facilities have the resources to modernize, meet today's care standards, and continue to serve their communities effectively.

I urge your support for this program to invest in 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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