

2019 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2099

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2099
1/8/2019
Job # 30511

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the medical facility infrastructure loan fund; and to declare an emergency.

Minutes:

Att #1 Kelvin Hullet

Chairman Klein: Opened the hearing on SB 2099. All members were present.

Kelvin Hullet, Market Manager for Economic Development and Government Programs at the Bank of North Dakota: See attachment #1 for testimony in support of the bill.

Senator Burckhard: So what was \$50 million is now \$4 million and that's what you want to have in the revolving loan fund?

Kelvin: We have \$50 million in the fund, we have lended out the entire \$50 million and we now have repayments coming back in. So the \$4 million we have back in is from principle and interest by the facilities that received the loans and we anticipate that we will see about \$2 million a year revolving back into the fund.

Senator Piepkorn: Are there nonoil producing accounting facilities that are lining up for some of these loans as well?

Kelvin: Yes, we do have interest from a variety of facilities across the state. In particular, I think we have a couple that are interested, and one of those will be in a nonoil producing county.

Chairman Klein: So we will still have kind of a task force but it's not going to be appointed by the governor. You guys will do this internally? Look at the loans and this is a loan? And eventually we could have all \$50 million back and the interest is at 2% and we're doing good?

Kelvin: Yes, what we would propose is that we would still utilize just like we do with our other programs. For instance, with our infrastructure revolving loan fund, what we do is we work with the department of transportation, the public finance agency, the health department, and the PFA to help us score those applications so that we get a good cross section of looking at where should our priorities be and how will those play out. So with this particular, program we would work with the North Dakota Hospital Association which has been involved with this

program before, to have us find some folks from across the state, probably five or seven, that could come together with us and help us look at the program, make sure that we're managing it appropriately according to the needs of the state, score applications. And then from there, yes, it is a loan. So at that point it goes through the underwriting process at the Bank of North Dakota to move through and then be lent out.

Senator Roers: Do you see that this \$4-6 million is gonna satisfy this need? How much need is out there? You burned through the \$50 million very fast? And if that was to continue, would you be coming back at some point and asking for more to be added to the \$50 million?

Kelvin: I would let the Hospital Association speak much more to the need.

Senator Burckhard: So a community hospital in Minot is building called Trinity is building a \$300 million hospital. Would they be eligible for this loan?

Kelvin: Yes, however when you start moving into larger scale hospitals like Trinity, we have other programs available which would be more conducive to what they do. For instance, in particular for Trinity, there have been conversations about can we use our match program. Our match program provides up to \$15 million at a lower interest rate for a period of time. As we've talked to some of the larger hospitals, \$2-4 million dollars isn't gonna make much of difference to their budget. So I think it would still be targeted towards more rural hospitals.

Senator Kreun: Has Altru contacted you for any of these programs?

Kelvin: Not that I'm aware of.

Senator Piepkorn: Nursing homes?

Kelvin: At this time, I do not believe that nursing homes are being provided for in the language of the bill.

Chairman Klein: All we have now to work with is \$4 million? And whatever else is going to drift in here. So its not like there is going to be an opportunity for a big chunk of change?

Kelvin: Yes.

Senator Roers: You're lending this money out at two percent, its coming back in principle and interest two percent, is this a good investment, in your estimation for the Bank of North Dakota? And if so, why would we want to amp it up, we're helping communities that wouldn't otherwise get this help. It just seems to me like this is a very good program and if its working this well, why would we want to expand it?

Kelvin: Sure. I believe that would be a policy decision for the legislature address. This is a fund that was created by the legislature to provide funding for healthcare facilities across the state at a low interest rate. The answer to your question of is this a good investment, I would look at it like we look at our revolving loan fund or our school construction program. You know when you have the delta between a two percent loan and going to the market a 4 – 4 ½ % market loan. That's obviously a savings to the tax payers. From the perspective of the

legislature, I think that that's the policy decision you need to make is that a good investment to continue making on behalf of the citizens of the state. As far as adding additional money to it, obviously that is a legislative decision about providing more funding into it.

Chairman Klein: Do you have more money in the bank Kelvin?

Kelvin: I would defer to a higher authority for that.

Eric Hardmeier, Bank of North Dakota: Testified in support of the bill. I wanted to address Senator Roers in his question of if this is a good investment for the bank. This does not reside on our books. This is a revolving fund, off of the Bank of North Dakota's books, just like the infrastructure program. We administer it, we take a fee for doing it, but it doesn't impact the Bank of North Dakota's performance or any of that. And I think that Todd was pointing out that the interest rate on this is actually 1%, not 2%.

(11:40)Tim Blasl, President of the North Dakota Hospital Association: Testified in support of the bill. This has been great for our members again. I think that we have six that are benefiting from this at the 1%. I did work with Kelvin and the Bank of North Dakota in terms of this bill, we have no objections. I know there was a question regarding needs, you know there's always a need. But right now I think a majority of these small rural facilities, in terms of capital projects, in terms of buildings, hospitals, are either in process or have been completed. So I'm not aware of any at the present time. Again, we have Altru, we have Trinity, but again I think there's going to be more options for them other than this revolving loan fund. Again, we have no objection to the language changes.

Chairman Klein: Kelvin alluded that it's a program for the state but we have preference for the oil producing counties, and the loans that were provided were pretty much. You know Hazen may be on the border, but nevertheless, as the leader of all the hospitals I suppose you are looking out for everybody. Removing that language is okay?

Tim: Yes.

Senator Piepkorn: What is the money being used for? Are these hospitals adding beds? Are they beefing up their emergency room services? Are they adding staff?

Tim: It's actually building. Its construction. New hospitals.

Senator Piepkorn: Is it building new rooms, new ER facilities that they might not have had?

Tim: Its basically taking the old hospital that was probably built in the 40s and 50s, and tearing it down and replacing it with a brand new one. So new ER, new beds, etc. equipment, etc.

Geoff Simon, Western Dakota Energy Association: Testified in support of the bill. Our company represents political subdivisions in the energy producing region. Obviously since this mentions oil producing counties, and takes away that preference, Kelvin did approach me to see if we'd be okay with this. And I've reached out to my membership and I think we're okay with this. Its met some very important needs out there, oil production can be kind of a

dangerous occupation so its good to have top notch medical facilities available and I think mission accomplished.

Chairman Klein: Closed the hearing on SB 2099.

Chairman Klein: Asked for discussion from the committee.

Senator Kreun: In reference to what Geoff was saying, the needs and dangerous occupation, agriculture is one of the most dangerous occupations that there is out there and that spreads out throughout the whole state. With taking that restriction off, it benefits the whole state and that's kind of our goal. I'm glad we started out where we did because the need was great, but as we see this program working, I'm sure it will benefit everybody and the whole state just as well as it did out west. With that I **Move a Do Pass.**

Senator Roers: Seconded.

Chairman Klein: Asked for comment from the committee.

Senator Roers: I've had experience with both Hazen and Dickinson's hospitals and they're absolutely beautiful. It's a huge blessing to a community, we had to opportunity to use the one in Hazen last week already. And the equipment, the staff, the facilities were first class.

Senator Piepkorn: Just to add to that, I'm a native of Stanley and visit there frequently. I don't know how much of this, I'm sure a considerable amount went to improving their facilities but it's pretty remarkable and much needed.

A Roll Call Vote was taken: 6 yeas, 0 nays, 0 absent.

Motion Carried.

Senator Kreun will carry the bill.

Date: 1/8
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2099**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Kneun Seconded By Roers

Senators	Yes	No	Senators	Yes	No
Chairman Klein	X		Senator Piepkorn	X	
Vice Chairman Vedaa	X				
Senator Burckhard	X				
Senator Kreun	X				
Senator Roers	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Kneun

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2099: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2099 was placed on the Eleventh order on the calendar.

2019 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2099

2019 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

SB 2099
3/5/2019
33235

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang

Explanation or reason for introduction of bill/resolution:

Medical facility infrastructure loan fund.

Minutes:

Attachment 1

Chairman Keiser: Opens the hearing on SB 2099.

Kelvin Hullet~Market Manager for Economic Development Financing & Government Programs: Attachment 1.

4:00

Rep Bosch: How many do you have in the qualifying project in the hopper right now?

Kelvin Hullet: We have two that have contacted us.

Chairman Keiser: The 4.6 million, that's the amount remaining in the original allocation?

Kelvin Hullet: The 4.6 million that has been paid back.

Chairman Keiser: What is the potential demand for dollars out there & the using of the repayment going to adequately serve the hospitals that would like to do that?

Kelvin Hullet: That is a good question. As we talked with the hospital association, we would utilize what we have available to us.

Chairman Keiser: What are the conditions of the loan?

Kelvin Hullet: The facility must have a useful life of that lease for 30 years, it's a 1% loan & the loan has to be paid back in 25 years. That's our maximum term.

Chairman Keiser: Anyone else here to testify on SB 2099 in support, opposition, neutral?
Closes the hearing. What are the wishes of the committee?

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Vice Chairman Lefor: Moves a Do Pass.

Rep Adams: Second.

Chairman Keiser: Further questions?

Chairman Keiser: This is one our successful programs by the Bank of ND.

Roll call was taken on SB 2099 for a Do Pass with 11 yes, 0 no, 3 absent & Rep Bosch is the carrier.

Date: Apr 5, 2019

Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. SB2099

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions Reconsider _____

Motion Made by Rep Lefor Seconded By Rep Adams

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep O'Brien	Ab	
Vice Chairman Lefor	X		Rep Richter	X	
Rep Bosch	X		Rep D Ruby	X	
Rep C Johnson	X		Rep Schauer	X	
Rep Kasper	Ab		Rep Adams	X	
Rep Laning	X		Rep P Anderson	X	
Rep Louser	X		Rep M Nelson	Ab	

Total (Yes) 11 No 0

Absent 3

Floor Assignment Rep Bosch

REPORT OF STANDING COMMITTEE

SB 2099: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING).
SB 2099 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SB 2099

January 8, 2019

Senate Bill 2099
Medical Facility Infrastructure Loan Program
Testimony of Kelvin Hullet, Market Manager at Bank of North Dakota

Mr. Chairman and members of the Committee:

Good Morning. I am Kelvin Hullet, Market Manager for Economic Development Financing and Government Programs. My role today is to provide testimony regarding proposed changes to the Medical Facility Infrastructure Loan Program administered by the Bank of North Dakota. The proposed changes include eliminating a task force appointed by the Governor and opening the program to facilities across the state.

The Medical Facility Infrastructure Loan Program was initiated in the 2013 Legislative Session. Fifty Million dollars was appropriated through House Bill 1286 from the Strategic Investments and Improvements Fund. The goal of the program is to provide loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state.

Some of the major guidelines of the program include:

- The community must demonstrate the need and long-term viability of the project.
- The minimum project cost is \$1,000,000. The maximum loan is \$15,000,000 or 75% of the project cost. Whichever is less.
- The facility must have a minimum projected life of 30-years.
- The maximum term of a loan is 25-years.
- The net interest rate is 2%.

In the 2015 Legislative Session, SB 2012 amended the program to make it a revolving loan fund. It also amended the process so that all repayments and interest on repayments were retained as part of the revolving loan fund. Today, there are six facilities that have received loans from the fund as noted on the map on the following page.

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ND Health Care Centers Receiving Medical Facility Infrastructure Loans

- Tioga Medical Center--Tioga
\$6,569,000
 - Mountrail County Medical Center--Stanley
\$1,685,000
- McKenzie County Healthcare Systems Inc--Watford City
\$12,500,000
- Hazen Memorial dba Sakakawea Medical Center--Hazen
\$6,742,000
- St. Joseph Hospital and Health Center--Dickinson
\$10,000,000
- SouthWest Health Care--Bowman
\$12,500,000

These loans were closed in 2015 and 2016 and as such, the fund is starting to see repayments. Currently, the fund has just over \$4,000,000 available for new loans. It is projected the fund will receive payback at \$2,000,000 per year. Which brings us to the proposed changes to streamline the process. Today, BND is proposing two changes to the Medical Facility Infrastructure Loan Program.

BND proposes to eliminate the requirement that the Governor appoint a task force to review applications under this section and code related to the task force composition.

Let me first direct your attention to Page one of SB2099, Lines 22; 23 and 24 and Lines 1 and 2 of Page 2. These lines deal specifically with a task force to be appointed by the Governor and the composition of the task force. BND proposes to eliminate this requirement and instead, allow BND to administrate this program in similar fashion as other loan programs administrated by the Bank. The Governor, through approval action at the Industrial Commission has endorsed changing this process.

BND envisions a similar process to that used for the Infrastructure or School Construction program. In these programs, BND created a process to closely work with the Department of Transportation, Health Department, Public Finance Agency and Department of Public Instruction to ensure maximum utilization of available loan funding.

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pg 2

In this instance, BND anticipates continuing to work closely with the North Dakota Hospital Association to develop a process that represents the health care interests across the state and engages them to assist with the selection and funding criteria.

BND proposes to eliminate preferential language related to oil producing counties.

The second change BND is proposing can be found on Line 3 and 4 of Page 2 which eliminates the preferential language related to oil counties. In reviewing the legislative history of this bill, it is apparent the initial thrust was to provide additional funding for health care facilities in oil producing counties. Based upon the existing loan pool, it seems much of this need is being addressed and now could be an appropriate time to expand the fund to assist other communities in the state.

Finally, you will note this bill does carry an emergency clause. As noted earlier, there is approximately, \$4,000,000 in the fund that BND seeks to re-lend to qualifying projects.

Mr. Chairman, thank you for consideration of these requests. I am happy to stand for any questions.

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Senate Bill 2099

Medical Facility Infrastructure Loan Program

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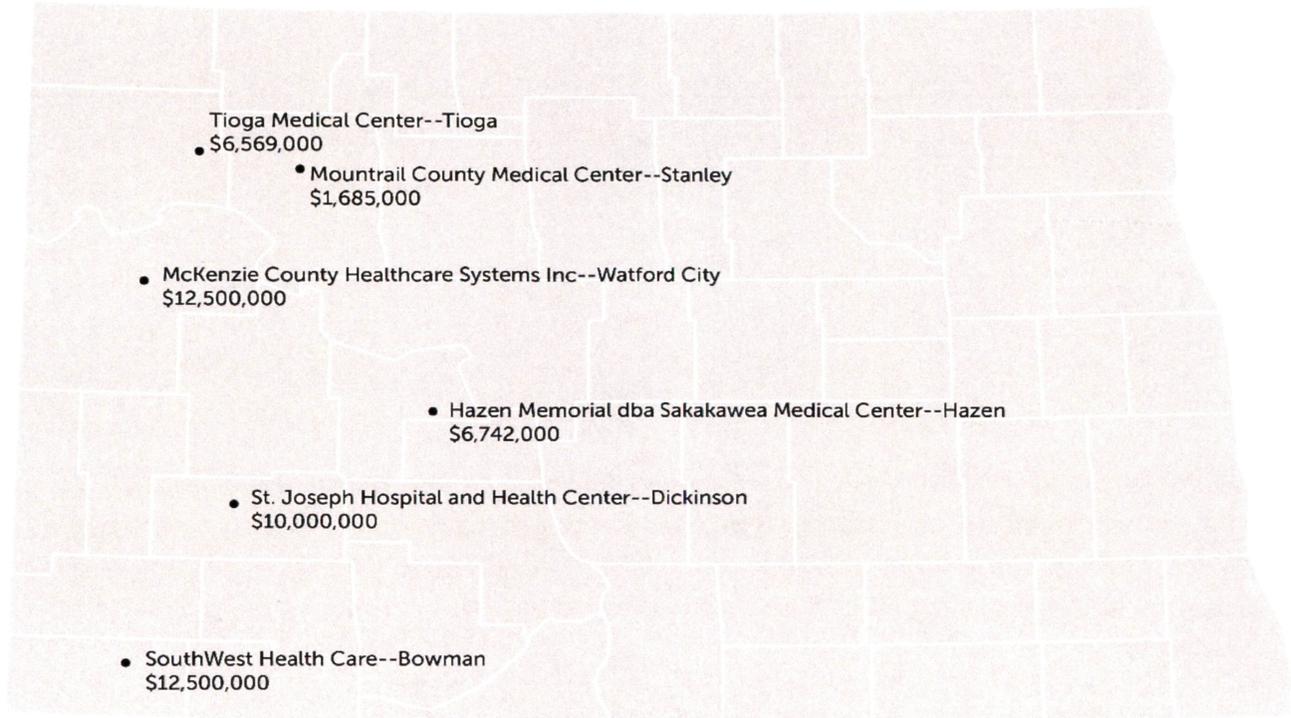
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Receiving Medical Facility Infrastructure Loans



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In this instance, BND anticipates continuing to work closely with the North Dakota Hospital Association to develop a process that represents the health care interests across the state and engages them to assist with the selection and funding criteria.

BND proposes to eliminate preferential language related to oil producing counties.

The second change BND is proposing can be found on Line 3 and 4 of Page 2 which eliminates the preferential language related to oil counties. In reviewing the legislative history of this bill, it is apparent the initial thrust was to provide additional funding for health care facilities in oil producing counties. Based upon the existing loan pool, it seems much of this need is being addressed and now could be an appropriate time to expand the fund to assist other communities in the state.

Finally, you will note this bill does carry an emergency clause. As noted earlier, there is approximately, \$4,000,000 in the fund that BND seeks to re-lend to qualifying projects.

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