Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 252 (as enacted) **PUBLIC ACT 10 of 2013**
Sponsor: Senator Jack Brandenburg
Senate Committee: Outdoor Recreation and Tourism
House Committee: Natural Resources

Date Completed: 8-4-15

CONTENT

The bill enacted the "Marina Dredging Loan Origination Act" to permit the State Treasurer to establish a program through which the State could pay the origination fees for dredging loans obtained by the owners of private marinas before March 1, 2014. If appropriated to the Department of Treasury, the Act authorized the expenditure of up to $1.0 million for this purpose.

The Act took effect on March 27, 2013.

The Act defines "marina dredging loan" as a loan or the refinancing of all or a portion of a loan made to the owner of an eligible marina for dredging costs necessitated by low water levels to accommodate the use of the marina by recreational watercraft.

"Eligible marina" means a privately owned, commercial facility in Michigan that meets all of the following requirements:

-- Extends into or over the Great Lakes, their connecting waters, or an inland lake or stream.
-- Provides docking, mooring, or launching services for recreational boating, and does not limit its services based on religion, race, color, creed, national origin, sex, marital status, disability, age, sexual orientation, or family status.
-- Has received the permits required by law from the Department of Environmental Quality and the Army Corps of Engineers, as appropriate, for the dredging to be conducted with marina dredging loan funds.

"Dredging costs" means the costs associated with dredging incurred after February 1, 2013, including costs of removal, disposal, and testing of sediments, and the costs associated with obtaining required permits.

Under the program, a qualified financial institution had to make marina dredging loans before March 1, 2014. The State was required to pay loan origination fees, on a first-come, first-served basis, for administrative costs incurred by a qualified financial institution equal to 5% of the original principal amount of the loan. The Attorney General had to approve as to legal form all documents related to the State's payment of a loan origination fee.

The term of the loan may not be more than five years. A person receiving a loan must pay an interest rate authorized under the Act and established by the financial institution. A qualified financial institution was required to set interest at a rate of not more than 2.5% or the adjusted prime rate minus 0.75%, whichever was higher.

A loan could not exceed $500,000 per eligible marina. By March 1, 2014, each participating qualified financial institution had to report to the State Treasurer the principal amount of loans made under the program.

If appropriated to the Department of Treasury, an amount sufficient to pay loan origination fees, not to exceed $1.0 million, had to be spent. The appropriation was a work project appropriation, and any unencumbered or unallotted funds had to be carried forward into the following fiscal year.

The Act defines "qualified financial institution" as a financial institution that has a physical location in Michigan and/or whose principal office is located in Michigan. "Financial institution" means a State or national bank, a State or federally chartered savings and loan association, savings bank, or credit union, or other regulated lending institution whose deposits are insured by an agency of the U.S. government, that maintains a principal office or branch office in this State under the laws of Michigan or the United States.

MCL 324.95231-324.95235 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill authorized the Department of Treasury to spend up to $1.0 million for loan origination fees for marina dredging loans, if the funds were appropriated. Public Act 9 of 2013 provided a supplemental appropriation of $1.0 million in General Fund/General Purpose revenue to the Department of Treasury to implement the bill. Only one application was made to the program. A total of $3,125 was used for the origination fee for that loan and the remaining funds lapsed to the General Fund.

The bill limited the maximum principal amount of an eligible loan to $500,000 and the loan origination fee for a financial institution's eligible administrative costs to 5.0% of that amount. This capped the State's payment at $25,000 per loan. At that rate, the supplemental appropriation would have supported loan origination fees on up to $20.0 million in marina dredging loans.

The appropriation was established as a work project with an estimated completion date of March 1, 2014, the final date for financial institutions to report to the Department of Treasury on the amount of loans made under the program.

The Department of Treasury had increased administrative responsibilities and costs to operate the program. In the absence of an appropriation for administrative costs, the additional costs were absorbed within existing Department resources. Similarly, the Department of Attorney General had increased costs of an unknown amount to review the legal form of all documents related to State payments of a loan origination fee under the program. These costs likely were within the existing scope of legal services provided to the Department of Treasury.

Fiscal Analyst: Elizabeth Pratt

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