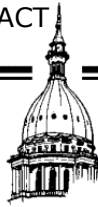




Senate Fiscal Agency  
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## BILL ANALYSIS



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Senate Bill 252 (as introduced 3-7-13)  
Sponsor: Senator Jack Brandenburg  
Committee: Outdoor Recreation and Tourism

Date Completed: 3-12-13

**CONTENT**

The bill would create the "Marina Dredging Loan Origination Act" to authorize the State Treasurer to establish a program through which the State would pay the origination fees for a dredging loan obtained by the owner of a private marina. Specifically, the Act would do the following:

- Prescribe marina eligibility criteria.
- Require participating qualified financial institutions to make marina dredging loans before March 1, 2014.
- Require the State to pay 5% of the principal amount of the loan to cover the financial institution's administrative costs.
- Limit the term of a loan to five years and the maximum amount to \$500,000 per marina.
- Require each participating financial institution to report to the State Treasurer the amount of marina dredging loans it made, by March 1, 2014; and file an affidavit to show compliance with the program and the Act.
- Authorize the expenditure of up to \$5.0 million, if appropriated by the Legislature, to pay loan origination fees under the program.

The State Treasurer could establish a marina dredging loan origination program as provided in the proposed Act. The bill states, "The program is found and declared to be for a valid public purpose."

"Marina dredging loan" would mean 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" would mean 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" would mean the removal of sediments from bottomland. "Dredging costs" would mean the costs associated with dredging incurred after the proposed Act took effect, including costs of removal, disposal, and testing of sediments, and the costs associated with obtaining required permits.)

Under the program, a qualified financial institution would have to make marina dredging loans before March 1, 2014. A person who received a loan would have to pay an interest rate authorized under the Act and established by the financial institution.

("Person" would mean an individual, partnership, corporation, association, governmental entity, or other legal entity. "Financial institution" would mean a State or national bank; a State or federally chartered savings and loan association, savings bank, or credit union; or other regulated lending institution that maintains a principal office or branch office in Michigan under the laws of Michigan or the United States, including an entity of the federally chartered farm credit system. "Qualified financial institution" would mean a financial institution that has a physical location in Michigan and/or whose principal office is located in Michigan.)

The State would have to pay loan origination fees for administrative costs incurred by a qualified financial institution equal to 5% of the original principal amount of the loan. The State would have to pay the fees in five equal annual installments by September 1, 2018. The Attorney General would have to approve as to legal form all documents related to the payment of a loan origination fee by the State.

The term of the loan could not be more than five years. The first required principal payment could not occur within 24 months after the loan was issued. A loan could not exceed \$500,000 per eligible marina. The qualified financial institution would have to set interest at a rate of 1% or at the rate of the five-year U.S. Treasury note plus 0.25%.

The State Treasurer could take any necessary action to ensure the program's successful operation, including entering into agreements with qualified financial institutions related to the operation of the program and the issuance of marina dredging loans.

Each participating qualified financial institution would have to do the following:

- By March 1, 2014, report to the State Treasurer the principal amount of loans made under the program.
- File with the State Treasurer an affidavit signed by the institution's senior executive officer stating that the institution was in compliance with the program and the Act.

Upon the State Treasurer's request, a qualified financial institution would have to forward to him or her a copy of any affidavit executed by a person receiving a loan under the Act. The institution and the Treasurer would have to destroy the affidavit or its copy after the loan was repaid.

If appropriated to the Department of Treasury, an amount sufficient to pay loan origination fees, not to exceed \$5.0 million, would have to be spent. The appropriation would be a work project appropriation, and any unencumbered or unallotted funds would have to be carried forward into the following fiscal year.

The proposed Act specifies that the following would be in compliance with Section 451 of the Management and Budget Act:

- The purpose of the project would be to provide financial assistance to eligible marinas and alleviate financial distress caused by the impact of low water levels on recreational watercraft use, and related economic impacts through the program.
- The work project would be accomplished through the use of payments to qualified financial institutions for marina dredging loan origination fees for administrative costs incurred by qualified financial institutions.
- The work project's total estimated completion cost would be \$5.0 million.
- The project's estimated completion date would be September 1, 2018.

Under Section 451a of the Management and Budget Act, to be designated a work project eligible for an appropriation, a project must be for a specific purpose, contain a specific plan to accomplish its objective, and have an estimated completion cost and completion date.

Legislative Analyst: Julie Cassidy

### **FISCAL IMPACT**

Under the proposed marina dredging loan origination program, the State would pay a qualified financial institution a loan origination fee equal to 5% of the original principal amount of a marina dredging loan. The bill would limit the amount of a loan to \$500,000 per eligible marina, which would cap the State's payment at \$25,000 per loan. Total State payments for the marina dredging loan origination program would be capped by the bill at \$5.0 million, which would equate to 5% of \$100.0 million in loans. No appropriation, however, is proposed in the bill for this purpose. If an appropriation were made for the marina dredging loan origination program, the program would cost up to \$5.0 million, the limit that would be established in the bill. In the absence of an appropriation, the program would not operate.

If the program became operational, the Department of Treasury would have increased administrative responsibilities and costs. In the absence of an appropriation for administrative costs, the additional costs would be absorbed within existing Department resources. Similarly, the Department of Attorney General would have 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 would be within the existing scope of legal services provided to the Department of Treasury.

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.