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BILL ANALYSIS

Senate Fiscal Agency

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**Senate Bills 902 and 903**

Sponsors: Senator Fred Dillingham (Senate Bill 902)

Senator Doug Carl (Senate Bill 903)

Committee: Human Resources and Senior Citizens

Date Completed: 8-2-88

***SUMMARY OF SENATE BILLS 902 and 903 as introduced 5-26-88:***

Senate Bill 902 would amend the State Housing Development Authority Act to create a Homeless Shelter and Housing Rehabilitation Fund that would be used to provide rehabilitation grants to homeless shelter providers and owners of housing units located in eligible distressed areas. Senate Bill 903 would amend the Income Tax Act to allow individuals to designate a portion of their State income tax liability for the Fund. The bills are tie-barred to each other.

**Senate Bill 902**

The bill would amend the State Housing Development Authority Act to create a Homeless Shelter and Housing Rehabilitation Fund within the Department of Treasury and require the Department to credit the Fund with deposits of proceeds from the State income tax designations taxpayers could make under the provisions of Senate Bill 903. The Fund would be a revolving fund and any deposits made by the State Treasurer to the Fund, interest earned by the Fund, and other money available to the Michigan State Housing Development Authority (MSHDA) for the purpose of the Fund would be available for rehabilitation grants to homeless shelter providers and owners of housing units located in eligible distressed areas.

**Definitions**

The term "homeless shelter provider" would apply to a nonprofit entity that at a minimum furnished without charge, daytime or overnight lodging on a temporary basis for homeless persons. A "homeless person" would be an individual with one or more of the following: no fixed mailing address, no fixed and regular day or nighttime residence, or a temporary accommodation in the residence of another or in a place not designed or ordinarily used as a regular sleeping accommodation for humans. An "owner" would be an individual who owned or was purchasing a homestead under a mortgage or land contract; owned or was purchasing a dwelling situated on the leased lands of another; and/or was a tenant-stockholder of a cooperative housing corporation. The term "rehabilitation" would refer to all or part of those repairs and improvements necessary to make real property safe, sanitary, and in compliance with applicable building and safety codes. (Note: the term "eligible distressed area" is not defined in the bill but is defined in the Act. MCL 125.1411)

**Eligibility Criteria**

A homeless shelter provider would be eligible for a grant if all of the following requirements were met:

- The provider had been operating as a homeless shelter provider for at least 12 months before applying for a grant.
- The provider demonstrated that the shelter needed rehabilitation and the proposed rehabilitation would meet applicable building and safety code standards.
- The provider agreed to maintain its operation as a homeless shelter provider for not less than three years if the grant were for less than \$20,000 or for not less than five years if the grant were for \$20,000 or more.
- The provider met any other requirements MSHDA considered proper.

A homeless shelter provider could not receive grants totaling more than \$100,000 during a fiscal year of MSHDA.

An owner of a housing unit would be eligible for a grant if the unit were located in an eligible distressed area, in need of rehabilitation, and the principal residence of the owner, and the owner met any other requirements that MSHDA considered proper. A grant to an owner could not exceed 70% of the State equalized value of the housing unit or \$20,000, whichever was less.

The total amount of the grants awarded to owners of housing units could not exceed 75% of the amount in the Fund available for grants as determined by MSHDA on December 31 of the year for which the tax designations were made, and the total amount of the grants awarded to homeless shelter providers could not exceed 25% of the amount available. All grants would be awarded on a first come-first served basis no earlier than January 1 after the year for which the income tax designations for the Fund were made.

**Application Process**

Individuals or other legal entities requesting grants from the Fund would have to file an application with MSHDA and pay any application fees established by rules promulgated by MSHDA. Owners of housing units would have to include on their application the names of all members of the owner's household and the amount of income received by each household member, the legal description and street address of the housing unit being rehabilitated, proof and certification that the owner met all eligibility requirements for the grant, and any other information considered necessary. MSHDA would have to furnish homeless shelter providers with a form requesting

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information MSHDA considered relevant to eligibility for a grant, and would have to develop guidelines for evaluating grant applications.

#### Reports/Rules

MSHDA would be required to submit an annual report to the Department including those items required by the Department, and the Department would have to submit an annual report to the Legislature on the use of the Fund. The Department's report would have to include at least a list and description of the approved grants, other accomplishments of the Fund, and the Department's recommendations on the continuation or cessation of, and changes for, the Fund.

MSHDA would be empowered to promulgate rules to implement administration of Fund.

Proposed MCL 125.1424f-125.1424n

#### Senate Bill 903

The bill would amend the Income Tax Act to allow persons other than corporations to designate a portion of their income tax liability for the Homeless Shelter and Rehabilitation Fund that Senate Bill 902 would establish within the Department of Treasury. Specifically, Senate Bill 903 would provide that persons with an income tax liability of at least \$5 could designate that \$5 be paid into the Fund. If a joint return were filed and the income tax liability were less than \$10, each spouse could designate that \$5 be paid to the Fund. The designation would have to be clearly and unambiguously printed on the first page of the State individual income tax return.

In spite of any other allocations and disbursements required under the Income Tax Act, an amount equal to the cumulative designations made under the bill minus the amount appropriated to the Department to implement the provisions of the bill, would have to be deposited in the Fund.

The term "income tax liability" would be defined as the amount of income tax minus the amount of allowable tax credits.

Proposed MCL 206.438

Legislative Analyst: L. Burghardt

#### ***FISCAL IMPACT***

Senate Bills 902 and 903 would lead to an indeterminate reduction in State income tax revenues and a corresponding (less administration fees) increase in money available for the Homeless Shelter and Rehabilitation Fund. The fiscal impact is indeterminate since it is not possible to estimate the number of taxpayers that would designate a contribution to the Fund. In 1985, however, 1.84 million taxpayers contributed to the State Campaign Fund. Assuming a similar number of contributions to the new Homeless Fund would lead to an estimate of Fund revenues of \$9 to \$10 million per year and a similar reduction in available General Fund revenues.

Fiscal Analyst: N. Khouri

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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.