



STATE OF MICHIGAN
 STATE BUDGET OFFICE
 LANSING

GRETCHEN WHITMER
 GOVERNOR

CHRISTOPHER M. HARKINS
 DIRECTOR

November 4, 2022

The Honorable Jim Stamas, Chair
 Senate Appropriations Committee
 Michigan State Senate
 State Capitol
 Lansing, Michigan 48909

The Honorable Mary Whiteford, Chair
 House Appropriations Committee
 Michigan House of Representatives
 State Capitol
 Lansing, Michigan 48909

Dear Legislators:

SUBJECT: Supplemental Request 2022-8

Attached please find supplemental recommendations for fiscal year 2022 totaling \$120.3 million Gross (\$0 General Fund) which are summarized by department below.

<u>Department</u>	<u>GF/GP</u>	<u>Gross</u>
Corrections	\$0	\$300,000
Health and Human Services	\$0	\$120,000,000
Labor and Economic Opportunity	\$0	\$0
Total	\$0	\$120,300,000

The State Budget Office respectfully withdraws the Department of Corrections supplemental recommendations of \$250,000 local funds for the Detroit Detention Center and a net \$0 shift between various lines for a new training facility included in Supplemental Request 2022-7. These recommendations are re-stated with new amounts in this supplemental request.

If you have any questions regarding this request, please contact my office at (517) 335-3420.

Sincerely,

Christopher M. Harkins
 State Budget Director

Attachment

cc: Mike Shirkey, Senate Majority Leader
 Jason Wentworth, Speaker of the House
 Jim Ananich, Senate Minority Leader
 Donna Lasinski, House Minority Leader
 Senate Appropriations Committee
 House Appropriations Committee
 Senate Fiscal Agency
 House Fiscal Agency

Departments
 JoAnne Huls, Chief of Staff
 Tricia Foster, Chief Operating Officer
 Jen Flood, Deputy Chief of Staff
 Heather Boyd, Office of Financial Management
 Internal State Budget Office

Report ID: BUD-SUPLET-0047

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Corrections

Appropriation Summary	Appn/Fund	
GROSS APPROPRIATION		300,000
Total interdepartmental grants and interdepartmental transfers	IDGT	0
ADJUSTED GROSS APPROPRIATION		300,000
Total federal revenues	FDRL	0
Total local revenues	LOCL	300,000
Total private revenues	PRIV	0
Total other state restricted revenues	STRS	0
State general fund/general purpose	GFGP	0
DEPARTMENTAL ADMINISTRATION AND SUPPORT	Appn/Fund	
County jail reimbursement program	38300	(1,000,000)
New custody staff training	55850	(1,000,000)
Prosecutorial and detainer expenses	60250	(1,500,000)
GROSS APPROPRIATION		(3,500,000)
Appropriated from:		
State general fund/general purpose	1000	(3,500,000)
OFFENDER SUCCESS ADMINISTRATION	Appn/Fund	
Community corrections comprehensive plans and services	36900	(1,000,000)
Offender success programming	59330	(1,500,000)
Public safety initiative	60500	(750,000)
Offender success services	61730	(1,000,000)
GROSS APPROPRIATION		(4,250,000)
Appropriated from:		
State general fund/general purpose	1000	(4,250,000)
FIELD OPERATIONS ADMINISTRATION	Appn/Fund	
Criminal justice reinvestment	38760	(2,500,000)
Field operations	43950	(1,000,000)
GROSS APPROPRIATION		(3,500,000)
Appropriated from:		
State general fund/general purpose	1000	(3,500,000)

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CORRECTIONAL FACILITIES ADMINISTRATION

Appn/Fund

Prison food service	59100	(2,000,000)
GROSS APPROPRIATION		(2,000,000)
Appropriated from:		
State general fund/general purpose	1000	(2,000,000)

CORRECTIONAL FACILITIES

Appn/Fund

Detroit Detention Center	22260A	300,000
Special alternative incarceration program - Jackson	22640	(1,750,000)
GROSS APPROPRIATION		(1,450,000)
Appropriated from:		
Local funds	4000	300,000
State general fund/general purpose	1000	(1,750,000)

ONE-TIME APPROPRIATIONS

Appn/Fund

Corrections northern training facility	TC88385	15,000,000
GROSS APPROPRIATION		15,000,000
Appropriated from:		
State general fund/general purpose	1000	15,000,000

Explanation

This supplemental request includes a net zero appropriation that would reallocate \$15 million in one-time operating surpluses in existing operating line items to fund a one-time capital outlay line item to construct a Northern Training Academy site for the Michigan Department of Corrections. The Northern Training Academy would be utilized to train corrections officers for facilities in the northern region of Michigan. The request here is a revision to the "from" line items used to support this project from those originally included in supplemental request 2022-7.

This supplemental request also provides \$300,000 in additional budget authority from local revenues for higher than anticipated costs for the operations of the Detroit Detention Center (DDC), due to employee retention payments, increased contracted nursing costs, and increased contracted janitorial services costs. Operating costs for the DDC are fully funded through a contract with the City of Detroit. This request here increases the amount originally requested in supplemental request 2022-7 from \$250,000 to \$300,000 based on more recent book closing activities.

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Health and Human Services

Appropriation Summary		Appn/Fund
GROSS APPROPRIATION		120,000,000
Total interdepartmental grants and interdepartmental transfers	IDGT	0
ADJUSTED GROSS APPROPRIATION		120,000,000
Total federal revenues	FDRL	120,000,000
Total local revenues	LOCL	0
Total private revenues	PRIV	0
Total other state restricted revenues	STRS	0
State general fund/general purpose	GFGP	0
PUBLIC ASSISTANCE		Appn/Fund
Food assistance program benefits	44800	120,000,000
GROSS APPROPRIATION		120,000,000
Appropriated from:		
Federal funds	3000	120,000,000

Explanation

The Department of Health and Human Services (DHHS) is requesting a supplemental for a total of \$120 million in Federal authorization for the Food Assistance program benefits line. This adjustment is necessary to align final FY22 authority to actual expenditures.

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Labor and Economic Opportunity

Appropriation Summary	Appn/Fund	
GROSS APPROPRIATION		0
Total interdepartmental grants and interdepartmental transfers	IDGT	0
ADJUSTED GROSS APPROPRIATION		0
Total federal revenues	FDRL	0
Total local revenues	LOCL	0
Total private revenues	PRIV	0
Total other state restricted revenues	STRS	0
State general fund/general purpose	GFGP	0
PUBLIC ASSISTANCE	Appn/Fund	
ARP - missing middle gap program	T31223	(50,000,000)
ARP - missing middle gap program	T31223	50,000,000
GROSS APPROPRIATION		0
Appropriated from:		
Coronavirus state fiscal recovery fund 377	3162	0

Boilerplate

Sec. xxx. (1) From the funds appropriated in part 1 for ARP – missing middle gap program, \$50,000,000.00 must be used by the Michigan state housing development authority to create a missing middle housing program to increase the supply of housing stock, in response to the negative economic impacts of the pandemic, for employees by providing cost defrayment to developers investing in, constructing, or substantially rehabilitating properties that are targeted to missing middle households.

(2) As used in this section:

(a) "Agreement" means an agreement between a developer and the authority pursuant to subsection (8).

(b) "Agreement counterparty" means the counterparty to an agreement, including the developer or any transferee or assignee of the developer's rights and obligations under an agreement pursuant to subsection (8).

(c) "Area median income" means the median income for the area as published annually by the United States Department of Housing and Urban Development, another governmental entity as selected by the authority, or another research institution as selected by the authority.

(d) "Attainable" means rent or a sale price resulting in a final mortgage payment no higher than 30% of the gross annual income of a missing middle household.

(e) "Authority" means the Michigan state housing development authority created by the state housing development authority act of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c.

(f) "Qualified real estate developer" means a landbank, local government, non-profit and for-profit developer.

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(g) "Final mortgage payment" means a mortgage payment calculated by the developer that must include principal, interest, taxes, insurance, private mortgage insurance, association fees or lease payments, or fees related to participation in a community land trust in accordance with financing assumptions consistent with market conditions as determined by the program administrator.

(h) "Housing unit" means a dwelling of less than 2,000 square feet, available for sale or lease on a permanent or year-round basis, that has a permanent foundation, electrical, heating and cooling, plumbing, bathing and restroom facilities, kitchen, and sleeping spaces, all of which meet building code requirements sufficient to achieve a certificate of occupancy.

(i) "Local support" means 1 or a combination of the following forms of support provided by a local unit of government:

(i) Financial contributions or grants in an amount equal to or exceeding \$5,000.00.

(ii) A tax abatement provided to a project in accordance with state law.

(iii) Tax increment revenues captured by a local unit of government and committed to a project in accordance with a tax increment finance and development plan.

(iv) Land transferred from the local unit of government at a cost of not more than \$1,000.00 per housing unit.

(v) Any other form of support provided by a local unit of government determined by the program administrator to constitute local support for purposes of this section.

(j) "Local unit of government" means a city, village, township, county, or any intergovernmental, metropolitan, or local department, agency, or authority, or other local political subdivision.

(k) "Program administrator" means the executive director of the authority.

(l) "Missing middle household(s)" means a household or households as defined by the authority. The authority's definition must be supported by housing data and comply with rules and regulations established by the American rescue plan act of 2021, Public Law 117-2, specifically all regulations and requirements around the use of the state fiscal recovery fund.

(m) "Project" means the construction or substantial rehabilitation of 1 or more housing units made available at a price or lease rate that is attainable to a missing middle household.

(n) "Rural community" means any geography designated by the United States Department of Agriculture office of rural development as rural for purposes of its single-family housing guaranteed loan program.

(o) "Substantial rehabilitation" means rehabilitation of a housing unit that requires a financial investment of at least \$25,000.00.

(3) All of the following apply regarding the missing middle housing program:

(a) The missing middle housing program is created under the jurisdiction and control of the authority and may be administered by the authority in accordance with the provisions of this section. In developing program guidelines and design, the authority must receive the concurrence of the executive director of the state land bank.

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(b) The authority must expend funds under this section only for the purposes of making awards as provided in subsection (4) and paying the costs of administering the program.

(c) The authority must develop and implement the use of forms, applications, agreements, and any other documents necessary or appropriate to implement this section and carry out its duties under this section.

(d) At least 30% of the dollar amount of awards under this section must be allocated to projects in rural communities, including, but not limited to, projects located in the upper peninsula.

(e) Not more than 15% of the dollar amount of awards under this section must be allocated to projects in any single city, village, or township.

(4) All of the following apply regarding the approval and award of a grant under this section:

(a) Subject to subdivision (b), upon satisfaction of the conditions set forth in subsection (6), the program administrator is required to set limits on the amount of missing middle funding per unit a project can receive.

(b) The maximum amount that may be awarded to a project for a housing unit under this section is limited to the actual labor and material cost of construction or substantial rehabilitation of the housing unit.

(5) To qualify as a developer under this section, the developer must be a qualified real estate developer as defined in this act and satisfy all of the following conditions:

(a) The developer must pass a criminal and civil background check of key employees satisfactory to the program administrator.

(b) The developer must not be under debarment with the United States government.

(c) The developer must demonstrate to the program administrator that it has the capacity to complete the construction of the project, and that it has the ability to implement rent restrictions and purchaser restrictions for the terms specified in the agreement for the project. The developer may contract with 1 or more entities that will provide materials or services in order to assist in meeting the capacity thresholds stated above.

(6) All of the following conditions apply to a grant award under this section:

(a) To qualify for a grant under this section, a project must meet all of the following conditions, as determined by the program administrator:

(i) The project must consist of new construction, substantial rehabilitation, or a combination of both.

(ii) The developer must demonstrate site control, identify the project general contractor, and provide a preliminary budget reflecting the ability to complete the project.

(iii) The construction quality, design, and location of the project must be appropriate for the area in which the project will be developed. The program administrator may require pre-approval of designs and plans and may condition approval on certain minimum design and quality of construction standards.

(iv) The developer must demonstrate that it has not received and will not receive low-income housing tax credits for the project.

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(v) The developer must demonstrate that the project has received or will receive local support.

(vi) The developer must propose a method or methods by which it will ensure to the satisfaction of the program administrator that each housing unit will remain attainable for a period of 10 years for rental deals and 5 years for for-sale deals following the disbursement of funds to the developer. The program administrator shall work with developers to make efforts to keep properties developed under this program attainable for missing households beyond these initial timelines.

(b) Application for approval under this subsection must be made in the form and manner prescribed by the program administrator.

(7) (a) A project must secure a certificate of occupancy within 24 months from the date of execution of the agreement for the project.

(b) The developer may seek an extension of the time periods described in this subsection, not to exceed a total development timeframe of 36 months, from the program administrator.

(c) The developer must have implemented the method or methods approved to ensure a project is attainable as described in subsection (6)(a)(vi).

(8) The terms and conditions for the distribution of awarded funds must be set forth in an agreement between the agreement counterparty and the program administrator as follows:

(a) The agreement may contain continuing obligations of the agreement counterparty for the term of the agreement to ensure that the project is attainable as described in subsection (6)(a)(v).

(b) A developer may convey the project and transfer or assign the developer's rights and obligations under the related agreement to a third party only after the developer has satisfied the conditions of subsection (7) and received the distribution of grant funds.

(c) The agreement must require that the agreement counterparty provide all of the following information to the program administrator as of the date of the certificate of occupancy for the project:

(i) Total number of total housing units developed within the project.

(ii) Number of housing units in the project qualifying for the grant.

(iii) Total square footage of project.

(iv) Total project costs.

(v) Total project costs not arising from a grant under this section.

(d) The agreement must require that the agreement counterparty provide the following information annually during the term of the agreement:

(i) For a project consisting of housing units for sale, the price of each housing unit within the project sold during the reporting year.

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(ii) For a project consisting of housing units for rent, each of the following:

(A) A statement of the rental rate of each housing unit for rent within the project during the reporting year.

(B) A statement of the income stated on tenant applications for the project during the reporting year.

(C) A statement of the occupancy rate of the project during the reporting year.

(9) The program administrator may in any year adjust any dollar amount provided in this section by a percentage equal to or less than the Consumer Price Index for that year.

(10) The unexpended funds appropriated in part 1 for ARP – missing middle gap program are designated as a work project appropriation. Any unencumbered or unallotted funds shall not lapse at the end of the fiscal year and shall be available for expenditures for projects under this section until the projects have been completed. The following is in compliance with section 451a(1) of the management and budget act, 1984 PA 431, MCL 18.1451a:

(a) The purpose of the project is to expand access to housing stock for missing middle households.

(b) The project will be accomplished by utilizing state employees or contracts with service providers, or both.

(c) The total estimated cost of the project is \$50,000,000.00.

(d) The tentative completion date is September 30, 2026.

REPEALER. Sec. 353 of 2022 PA 53 is repealed.

Explanation

This supplemental unappropriates and reappropriates funding for the ARP - Missing middle gap program for the purpose of revising program boilerplate to allow MSHDA to better serve its target market and reach approximately 23,000 more households. The ARP - Missing middle gap program was originally appropriated \$50 million Coronavirus State Fiscal Recovery Fund in PA 53 of 2022. The primary boilerplate revision removes the specific income limits as the defining factor of a missing middle household, and alternatively defines a missing middle household as one that is supported by housing data as permitted under the federal rules governing the State Fiscal Recovery Fund. Additional boilerplate revisions allow MSHDA to better serve the target population of missing middle households and expand the reach and effectiveness of the program.