

**SFA**

BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909

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**House Bill 4163** (as reported without amendment)

Sponsor: Representative Gerald H. Law

House Committee: Judiciary

Senate Committee: Regulatory Affairs

Date Completed: 5-27-87

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**RATIONALE**

The Department of Treasury has accelerated its "interception" of various State payments to persons to apply them first to amounts owed the State or others. Although the Department is able to intercept the second and subsequent payments of large lottery prizes, which are made through the Department, it cannot intercept prizes paid directly by the Lottery Bureau without amendment to the lottery Act.

**CONTENT**

The bill would amend the McCauley-Traxler-Bowman-McNeely Lottery Act to provide that, before awarding a prize of over \$5,000, the State Lottery Bureau would have to determine if the Department of Treasury knows of any liability of a lottery winner to the State. The prize would have to be used to pay any liability to the State, and the excess paid to the winner.

The bill would require that the winner be given notice and an opportunity for a hearing with the Department of Treasury or its designee regarding the liability, in cases in which the liability has not been reduced to judgment or has not been finalized pursuant to the review provisions of the statute under which the liability arose. Notice would have to be given to a lottery winner by mail and he or she would have 15 days from the date of the notice to make a written request for a hearing to the Revenue Commissioner.

MCL 432.11 et al.

**FISCAL IMPACT**

The bill would result in an indeterminate revenue increase to the State. Currently, almost all lottery prize payments over \$5,000 already are processed through the Department of Treasury's vendor payment system and are automatically matched against the tax liability file. There would be some instant game and special games payments in excess of \$5,000 that would have to be added to the vendor payment system, which could be accomplished by existing resources within Lottery and Treasury.

**ARGUMENTS****Supporting Argument**

Sound fiscal management demands that the State retain what is due it before disbursing payments. The bill would ensure that large lottery prizes were first applied to debts owed the State before a prizewinner receives a State-funded windfall.

**Opposing Argument**

The bill should provide for intercepting large prizes of less than \$5,000, and thereby ensure that more liabilities to the State were paid. It should be a relatively simple matter to use existing data systems, along with terminals at district lottery offices, to do as the bill originally proposed to do: intercept all lottery prizes of over \$600.

**Response:** The bill represents a reasonable compromise between intercepting all lottery winnings and accommodating the needs of the lottery program. The original proposal could have slowed the process of awarding prizes to the point of damaging the program. Lottery players are attracted by the prospect of immediate payment, and the State lottery therefore offers quick payment and promotes this feature of the game. If payments were delayed, many potential lottery winners would spend their dollars elsewhere, including on the illegal numbers games. Once the bill's program was implemented, its value could be assessed, and the State would be in a better position to determine whether it would be worth intercepting lottery prizes of less than \$5,000.

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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.

H.B. 4163 (5-27-87)