Legislative Analysis

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ASSET & INCOME TESTS
FOR CERTAIN PUBLIC BENEFITS

House Bill 5032 reported without amendment
Sponsor: Rep. Dale Zorn

House Bill 5033 (Substitute H-4)
Sponsor: Rep. Dave Agema

Committee: Families, Children, and Seniors
Complete to 2-16-12

A SUMMARY OF HOUSE BILLS 5032 & 5033 AS REPORTED FROM COMMITTEE

House Bill 5033 would amend the Social Welfare Act (MCL 400.1 et al.) to specify that money from lottery or other gambling winnings would be included when determining financial eligibility for food assistance or the family independence program (FIP) as follows:

- If received as a lump-sum payment, lottery winnings and other gambling winnings would be counted as assets.
- If received in installment payments, lottery winnings and other gambling winnings would be counted as unearned income.

The bill also specifies that, for the purposes of determining financial eligibility for food assistance or the Family Independence Program, the department would be required to apply an asset test. (This codifies current state policy.)

House Bill 5032 would amend the McCauley-Traxler-Law-Bowman-McNeely Lottery Act (MCL 432.1 et al.) to require the Bureau of State Lottery, within seven days after paying a prize of $1,000 or more, to notify the Department of Human Services (DHS) and the Unemployment Insurance Agency of the name and other available identifying information regarding the winner of the prize and the amount of the prize.

FISCAL IMPACT:

House Bill 5032 would have minimal costs to both State Lottery and DHS. Cost savings from automating the data sharing is discussed in the analysis of House Bill 5033.

House Bill 5033 will increase administrative costs as a result of implementing a new asset test for the Food Assistance Program (FAP). Administrative costs for FAP are split 50% state funds and 50% federal funds.

Beginning October 1, 2011, the Department of Human Services (DHS) implemented a $5,000 asset test for FAP. Caseloads for FAP have declined every month this fiscal year;

however, how much of the caseload reduction can be tied to the new asset test cannot be calculated at this time as DHS is still in the process of collecting and sharing these data. FAP benefits are 100% federally funded, so the savings from the FAP asset test will have no fiscal impact to state funds.

By automating lottery data to DHS, DHS caseloads could see a gross reduction of $2.9 million ($185,000 GF/GP). There were around 55,000 lump sum lottery winners of greater than $600 in FY 2009-10. Currently, 14.3% of adults receive FAP and 0.7% of adults receive FIP. Using those percentages, this analysis assumes 7,850 FAP cases and 360 FIP cases received a lottery winning greater than $600. The savings from closing FAP cases would be 100% federal funds and the savings from closing FIP cases would be state funds.

There are three uncertainties that increase the margin of error for this calculation. (1) How many persons are currently self-reporting lottery winnings? The cases that would self-report would see their FAP and FIP benefits adjusted whether the lottery data are automated or not. This analysis did not make an assumption for persons who would self-report, meaning that actual savings would be lower.

(2) How quickly are lottery winnings spent? Once lump sum lottery winnings are spent on items or services that are counted as an asset, those winnings will no longer count as an asset, which means that that case will once again be eligible for FIP or FAP (assuming other eligibility factors have not changed). This analysis assumes that lump sum lottery winners would not be eligible for FIP or FAP for 1 month if they won less less than $5,000, 9 months if they won more than $5,000, and 12 months if they won more than $1.0 million.

(3) What do lottery winners spend their winnings on? How winnings are spent impact whether that case could become FIP or FAP eligible again. For example:

-- If a person puts their lottery winnings into a Certificate of Deposit, they would continue to be ineligible for FIP or FAP.
-- If a person purchases another vehicle, they may or may not become eligible based on the value of other vehicles.
-- If a person leases a vehicle, a leased vehicle does not count as an asset, so that person could become eligible for FIP or FAP again.
-- If a person goes on a vacation or buys jewelry, that person could become eligible for FIP or FAP again.

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