



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bills 711 and 712 (as enacted)
House Bill 5033 (as enacted)
Sponsor: Senator John Moolenaar (S.B. 711)
Senator Mike Green (S.B. 712)
Representative Dave Agema (H.B. 5033)
Senate Committee: Families, Seniors and Human Services
House Committee: Families, Children, and Seniors

PUBLIC ACTS 77 & 78 of 2012
PUBLIC ACT 79 of 2012

Date Completed: 8-7-12

CONTENT

Senate Bill 711 amended the Lottery Act to require the Lottery Bureau to notify the Department of Human Services (DHS) of the name of a prize winner and the amount of the prize. The notification must be made within seven days after the Bureau pays a prize of \$1,000 or more and must include other available identifying information regarding the prize winner.

Senate Bill 712 amended the Social Welfare Act to require money received from lottery winnings or other gambling winnings to be included when financial eligibility for the Family Independence Program and the Food Assistance Program is determined. Lottery and other gambling winnings received as a lump-sum payment must be counted as assets, and winnings received in installment payments must be counted as unearned income.

The bill also deleted a beginning date of October 1, 2012, on a requirement for the development of an automated program to compare the DHS's list of assistance recipients with information provided by the Michigan Department of State Police regarding outstanding felony or extradition warrants.

House Bill 5033 amended the Social Welfare Act to require the DHS to apply an asset test for the purposes of determining financial eligibility for the Family Independence

Program or the Food Assistance Program administered under the Act.

The bills took effect on April 11, 2012.

MCL 432.32a (S.B. 711)
400.10c & 400.10e (S.B. 712)
400.10d (H.B. 5033)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Senate Bill 711 increases the responsibilities of the Lottery Bureau, as described above. There will be a substantial number of prizes to report. Data provided by the Lottery show that approximately 55,000 prizes over \$600 were awarded in 2010. There will be initial implementation costs for the Lottery and the Department of Human Services to develop the data transfer system. The Department of Technology, Management, and Budget has estimated the system development costs at approximately \$100,000, which will be divided between the Lottery and the DHS. The ongoing costs of operating the system are not expected to be significant. Any increase in Lottery costs will reduce the Lottery distribution to the School Aid Fund. Information technology costs of the DHS are funded by a combination of Federal funds and General Fund revenue.

The Department of Human Services will be able to use the data to verify eligibility for financial and food assistance programs. (The estimated State fiscal impact from this change is discussed in the fiscal analysis of Senate Bill 712, below.)

Senate Bill 712 may result in an undetermined amount of savings for the State, by including lottery and gambling winnings as countable income for determining eligibility for cash and food assistance benefits. The savings will depend on the extent to which such a policy already was enforced. While lottery and gambling winnings are not specified as unearned income in the DHS policy manual, there are provisions that count lump sum and annuity income in general. Data that show the actual number of assistance recipients who have also received gambling and lottery payments are not available. Data that show whether lottery and gambling winnings were actually counted as income are also not available. Without more information, it is possible to provide only a very broad extrapolation in order to estimate savings.

This analysis considers the most recent available lottery data and caseload information. Data on gambling winnings are not available at this time. In 2010, 55,000 lottery winners accepted lump sum payments totaling \$323.0 million. Out of these winners, 1,340 received lump sum payments over \$5,000. In the same year, 368 annuity payments were issued totaling \$56,674,995, for an average payment of \$154,008. This analysis assumes that anyone who received either a lump sum payment over \$5,000 or an annuity would not be eligible for assistance. There are 1,708 total lottery winners who would fall into this category. The total number of households counted in the last census was 3.8 million.

Based on the extrapolation described above, Food Assistance Program (FAP) savings could reach up to \$1.4 million from reduced Federal food assistance spending in FY 2011-12. This estimate assumes that 25% of all Michigan households currently receive food assistance (an average of 967,693 households in FY 2010-11) and, therefore, that 25% of the 1,708 winners, or 427, are receiving food assistance. The average monthly payment in FY 2010-11 was \$270. Similar calculations for the Family

Independence Program could result in as much as \$200,000 in savings in one year.

The bill will have no fiscal impact on local units of government.

House Bill 5033 will not have a fiscal impact on either the State or local units of government. With the start of fiscal year 2011-12, the Department of Human Services implemented a \$5,000 asset limit on the Food Assistance Program. As of November 2011, 6,100 cases had been removed from the program due to the asset limit. Based on an average monthly benefit of \$270, the asset test has resulted in Federal savings of at least \$19.8 million to date. An asset test already was a requirement of the Family Independence Program, as well.

Fiscal Analyst: Frances Carley
Elizabeth Pratt

S1112\S711es

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.