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BILL ANALYSIS

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House Bill 5033 (Substitute H-4 as passed by the House)
Sponsor: Representative Dave Agema
House Committee: Families, Children, and Seniors
Senate Committee: Families, Seniors and Human Services

Date Completed: 3-26-12

**CONTENT**

The bill would amend the Social Welfare Act to do the following:

-- Require that money received from lottery winnings or other gambling winnings be included when financial eligibility for food assistance or the Family Independence Program (FIP) was determined.
-- Require lottery or other gambling winnings received as a lump-sum payment to be counted as assets, and winnings received in installment payments to be counted as unearned income.
-- Require the Department of Human Services to apply an asset test for the purposes of determining financial eligibility for food assistance or the FIP.

Proposed MCL 400.57v & 400.57w

Legislative Analyst: Patrick Affholter

**FISCAL IMPACT**

The bill could result in an undetermined amount of savings for the State.

By requiring the Department of Human Services (DHS) to include lottery and gambling winnings as either assets or income, the bill would reduce the number of people who could qualify for the Food Assistance Program (FAP) or the Family Independence Program. Data that show the actual number of assistance recipients who have also received gambling and lottery payments are not available. This analysis estimates possible savings from the most recent available lottery data and caseload information, and is based on a broad extrapolation.

In calendar year (CY) 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.

Approximately 14.3% of adults in the State receive FAP assistance and 0.7% of adults receive FIP assistance. The average monthly FAP payment in FY 2010-11 was $270, and the average FIP payment was $431. Based on this caseload information, approximately 192 of the individuals who won lump-sum payments over $5,000 receive FAP payments and 94 individuals receive FIP payments. Using the same assumptions, 53 families that accepted a lottery payment as an annuity could be receiving FAP assistance and three receiving FIP assistance.

Under the bill, lump-sum lottery payments would be counted as assets. The DHS recently implemented a $5,000 asset limit for FAP eligibility, and the cash asset limit for FIP is $3,000. The length of time that an individual would be ineligible for either FAP or FIP as a result of winning a lump-sum payment over $5,000 would depend on how the money was spent and the time frame in which it was spent. For example, some who purchased a vehicle within the allowable price limit would be eligible for assistance in the following month. Someone who retained the cash in a bank account would remain ineligible as long as the balance remained higher than the asset limit for each assistance program. Depending on the circumstances, savings in Federal dollars could reach $1.1 million.

Annuity payments would be counted as income under the bill. This analysis assumes that anyone who received lottery winnings as an annuity would not be eligible for assistance due to the size of these prizes. To the extent that this policy is already enforced, savings from eliminations in both FAP and FIP caseloads could be as much as $200,000 in primarily Federal dollars.

Additionally, the State could realize savings because some individuals would still qualify for assistance but at lower monthly payments. Out of 53,660 lottery winners who received lump-sum payments under $5,000, approximately 7,673 could be FAP recipients and 3,756 could be FIP recipients. Assuming that these winnings would not be enough disqualify a household, any increase in assets would result in reduced assistance payments for an indeterminate amount of time. Actual savings in a given year would vary depending on the number of winners, the amount of the payments, and the way that the money was spent.

The DHS currently has an asset test for both FAP and FIP as a matter of policy. Therefore, any costs to implement the provisions of this bill would be minimal. The bill would have no fiscal impact on local units of government.

Fiscal Analyst: Frances Carley