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BILL ANALYSIS



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Senate Bill 712 (Substitute S-4 as reported)
Sponsor: Senator Mike Green
Committee: Families, Seniors and Human Services

CONTENT

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

- Require the Department of Human Services (DHS) to apply an asset test for the purposes of determining financial eligibility for food assistance.
- Require that money received from lottery winnings or other gambling winnings be included when financial eligibility for the Family Independence Program and the Food Assistance Program was determined.
- Require lottery and 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.
- Delete 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.

MCL 400.10c et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

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

The bill would limit eligibility for fund assistance by requiring the Department of Human Services to implement an asset test. On January 1, 2012, the DHS implemented a new asset test that limits assets to \$5,000, and provides an exemption for a household's vehicle with the highest market value. To date, the Department has not determined the number of clients who will be affected or the potential savings that will result from this asset test. It is possible that the DHS will incur some undetermined costs to administer this test.

By including lottery and gambling winnings as countable income for determining eligibility for cash and food assistance benefits, the bill could result in an undetermined amount of savings, depending on the extent to which such a policy is already 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 are 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 FAP (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 would have no fiscal impact on local units of government.

Date Completed: 2-7-12

Fiscal Analyst: Frances Carley

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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.