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Senate Bill 712 (Substitute S-1)
Sponsor: Senator Mike Green
Committee: Families, Seniors, and Human Services

Date Completed: 11-9-11

CONTENT

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

- Require the Department of Human Services (DHS) to apply a \$5,000 asset test regarding eligibility for food assistance.**
- Require lottery and other gambling winnings to be considered income for purposes of public assistance eligibility.**

Asset Test: Food Assistance Eligibility

For purposes of determining financial eligibility for food assistance, the DHS would have to apply an asset test requiring eligible households to have not more than \$5,000 in countable assets in order to be eligible for food assistance.

Lottery/Gambling Winnings: Public Assistance Eligibility

For purposes of determining financial eligibility for public assistance under the Act, money received from lottery or other gambling winnings would have to be considered countable income, regardless of whether the money was received in a lump-sum payment or on a monthly payout basis.

(Section 10a of the Act defines "public assistance", for the purposes of certain other eligibility criteria in Sections 10a, 10b, and 10c, as Family Independence Program, State Family Assistance, State Disability Assistance, Food Assistance Program, or Child Development and Care Program provided under the Act.)

Proposed MCL 400.10d & 400.57v

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill could result in as much as \$50.0 million in savings, most of which would come from Federal food assistance funding.

As a result of placing a \$5,000 cap on countable assets, as many as 15,000 cases could lose eligibility and food assistance. Assuming the average monthly benefit payment is \$270 per case, the total savings in Federal funding could be as much as \$48.6 million in one year. It is possible that the Department of Human Services would incur some undetermined costs to administer this asset test.

By including lottery and gambling winnings as countable income for determining eligibility for public 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 Department of Human Services 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 only possible to provide a very broad extrapolation in order to estimate savings.

For the purposes of this analysis, the public assistance programs defined in Section 400.10a of the Social Welfare Act have been taken into consideration: Family Independence Program (FIP), Food Assistance Program (FAP), Child Development and Care (CDC), and State Disability Assistance (SDA).

This analysis considers the most recent available lottery data and caseload information. Data on gambling winnings were not available at the time that this analysis was prepared. In calendar year 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 in the previous paragraph, 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 remaining public assistance programs (FIP, CDC, and SDA) could result in a combined total savings of approximately \$1.4 million, most of which would come from Federal funding sources.

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

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.