



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



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 363 (Substitute S-1 as reported)
Sponsor: Senator Steven Bieda
Committee: Families, Seniors, and Human Services

CONTENT

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

- Require the Department of Human Services (DHS) to include lottery or gaming winnings as income for purposes of public assistance eligibility.
- Provide that a person would be ineligible for benefits, for a period determined by the DHS, if a court or administrative agency found that he or she intentionally sold food that was purchased with supplemental nutrition assistance program benefits.

Specifically, for the purpose of determining eligibility for public assistance under the Act, the DHS would have to include a recipient's lottery winnings or other gaming winnings as countable income regardless of whether the winnings were received in a lump sum payment or any type of periodic payment.

Subject to any requirements established in Federal statute, rule, or regulation, if a State or Federal court or administrative agency found in a hearing under the Act that a person intentionally sold any food that was purchased using supplemental nutrition assistance program benefits, the person would be ineligible for benefits for a period of time to be determined by the DHS.

Proposed MCL 400.10c & 400.14k

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Senate Bill 363 (S-1) would result in Food Assistance Program (FAP) savings that could reach a maximum of \$17.0 million Gross from reduced Federal food assistance spending in FY 2011-12. Lump sum lottery payments counted as income in the year that winnings are received would not be countable in subsequent years. As there are new winners each year, the State still could realize savings on an ongoing basis.

In calendar year 2010, 55,000 lottery winners accepted lump sum payments totaling \$323.0 million. Assuming that 25% of all Michigan households currently receive FAP benefits (963,012 households received FAP benefits in May 2011 out of a total of 3.8 million households as of the last census), 13,750 of these 55,000 lottery winners could be receiving FAP benefits.

Out of 1,340 winners who received payments over \$5,000, 335 are possible FAP recipients. If these winnings were to place all 335 households above the eligibility threshold of 200% of the Federal poverty level, the recipients would no longer be eligible for FAP benefits. In this scenario, the State could expect maximum savings of \$1.1 million in Federal funding by disqualifying the households.

Out of 53,660 lottery winners who received lump sum payments under \$5,000, approximately 13,400 could be FAP recipients. Although it is unlikely that these winnings would disqualify a household, any increase in income would result in a decreased monthly FAP benefit. The total payments made for lump sum winnings under \$5,000 were \$205 million. Using the average payment of \$3,800 for each winner, the FAP payments that the winners would be eligible to receive could be reduced by as much as \$100 per person per month. The maximum Federal savings that could be realized as a result of the reductions are \$16.0 million. Actual savings in a given year, however, would vary depending on the number of winners and the amount of the payments.

Under current Department policy, people who are found to have used their Bridge cards and FAP benefits in a fraudulent way are sanctioned. Recipients involved in FAP trafficking (buying or selling food benefits for cash or consideration other than eligible food) over \$500 can face a lifetime disqualification when found guilty by a court judgment or individual admission. Recipients are disqualified for one year, two years, or a lifetime. Implementation of the bill therefore would not result in a significant fiscal impact.

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

Date Completed: 7-12-11

Fiscal Analyst: Frances Carley