

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 947 (Substitute S-1 as passed by the Senate)
Senate Bill 949 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Dave Jaye (S.B. 947)
Senator Walter H. North (S.B. 949)
Committee: Gaming and Casino Oversight

Date Completed: 8-28-98

RATIONALE

Under the Lottery Act, before paying a prize of \$1,000 or more, the Bureau of State Lottery must determine whether Department of Treasury records show that a prize winner has a current liability to the State or a support arrearage. If there is a liability to the State or support arrearage, the Lottery Bureau must apply the prize first to the liability to the State, other than the amount of any assigned delinquent account due to a court, then to the support arrearage, and then to the delinquent accounts due to a court. The remainder of the prize, if any, must then be paid to the lottery winner. Some people believe that the requirement for lottery winners to repay the State also should apply to those who recently received cash assistance from the State under the Social Welfare Act. Senate Bill 188 (S-1), which has passed the Senate, would amend the Social Welfare Act to specify that an individual who won a lottery prize of \$1,000 or more would be liable to the Family Independence Agency for the amount of cash assistance paid to that individual or his or her spouse or minor children during the past year, up to 50% of the amount of the lottery prize. It has been suggested that similar requirements should be placed on persons who are receiving, or have received, assistance and who win substantial amounts at casino gaming. Further, it has been suggested that recipients who receive cash payments instead of food stamps should be prohibited from engaging in casino gambling with those payments.

CONTENT

The bills would amend the Social Welfare Act to provide that a recipient's casino winnings would have to be credited against his or her

assistance, under certain circumstances; and to prohibit a recipient from using cash, received in lieu of food stamps, for gambling.

Senate Bill 947 (S-1)

The bill provides that a person who was receiving, or had received within the previous three years (or whose spouse or minor children were receiving or had received within the previous three years) ongoing family independence assistance, and who won at casino gaming an amount for which Internal Revenue Service (IRS) form W-2G had to be filed, would be liable to the Family Independence Agency (FIA) for the assistance paid to the individual or his or her spouse or minor children during the previous three years, up to 50% of the winnings. (The IRS requires a casino, or any payer of gambling winnings, to furnish to a winner form W-2G Statement of Gambling Income, if the person wins \$1,200 or more from bingo or slot machines; \$1,500 or more from keno; or \$600 or more from other games.)

The Director of the FIA would have to enter into a written agreement with the Michigan Gaming Control Board to specify procedures for implementing the bill. The agreement would have to include all of the following: the procedure under which the FIA and the Board would exchange information regarding casino gaming winnings and individuals who received cash assistance within the previous three years; a statement that a person liable under the bill would have to provide all the information required for IRS form W-2G; and any other matter that the parties to the agreement considered necessary to carry out the provisions of the bill.

The FIA would have to provide written notice to each casino gaming winner liable to the Agency of the amount of the winnings to be credited against assistance received, and the procedure and time frame by which the winner could contest that crediting. The procedure would have to include the right to a hearing before an administrative law judge. The notice would have to include the address and telephone number of the FIA and the name of the individual the winner could contact with respect to his or her liability for assistance, or the payment of the liability.

The FIA would have to notify each applicant for or recipient of ongoing cash assistance of the bill's requirements. Notice would have to be given within 180 days after the effective date of the bill, or upon the date of application, whichever was earlier.

Senate Bill 949 (S-1)

The bill would prohibit a recipient who received cash payments instead of food stamps from using the money to participate in casino gambling. A recipient who violated the bill would forfeit his or her right to receive future cash payments in lieu of food stamps. Forfeiture of the right to receive future cash payments could be based on reasonable cause to believe that a violation occurred, or an affidavit asserting facts that provided reasonable cause to believe that a violation occurred.

The bill provides that each application for assistance would have to include a statement that identified the recipient's rights and obligations under the bill. Further, persons currently receiving assistance would have to be notified of their rights and obligations under the bill.

Proposed MCL 400.43b (S.B. 947)
Proposed MCL 400.10c (S.B. 949)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

It is inappropriate for persons who receive government assistance to use that money for gambling because, in effect, they are gambling with the taxpayers' money. While the State cannot prevent a person on assistance from placing a wager, it can take measures to discourage such behavior. This is exactly what the bills would do. By making an assistance recipient liable for up to

50% of any substantial amount won in a casino, Senate Bill 947 (S-1) would send a strong message to recipients that should they choose to gamble with taxpayer dollars, then the taxpayers rightfully would share in the winnings. Senate Bill 949 (S-1) would offer further discouragement, by removing a recipient's ability to receive cash payments instead of food stamps, if he or she used such cash for casino gambling. Together, the bills would create a substantial deterrent to assistance recipients who considered risking taxpayer money in a casino.

Opposing Argument

The bills would impose an unfair financial punishment against the State's lowest income groups, including some of its most vulnerable individuals: poor women and children. Everyone has dreams of improving his or her own economic situation and the poorest among us might have the biggest dreams. The bills would send a message that if someone is poor and forced to rely on public assistance, and gets a small windfall through some good fortune, the State would hold him or her down and seize the winnings.

Response: A person who is in such a desperate situation that he or she must rely on the public assistance safety net should not be spending that money on gambling. If people choose to squander their assistance benefits on the longshot odds of striking it rich in a casino, they should have to repay the State for those benefits if they are lucky enough to win a substantial prize. Further, it must be pointed out that assistance recipients who don't gamble would not be affected by the bills.

Opposing Argument

While it is one thing to say that it is wrong for assistance recipients to gamble with taxpayer money, it is entirely different to make demands on those people once they are no longer receiving assistance. Under Senate Bill 947 (S-1), a person who had been a recipient would have to forfeit gambling winnings for up to three years after leaving assistance. This requirement would be punitive and unfair, particularly to those former recipients who got jobs and thus themselves became taxpayers. No person who has obtained a job and is paying taxes should continue to be punished for having been at one time a recipient.

Response: Persons who have been on government assistance owe a debt to the taxpayers who supported them. Individuals who have relied on the generosity of taxpayer-supported programs should be obligated to reimburse the State when they are fortunate enough to win a large prize.

Opposing Argument

Poor people are not the only ones who receive taxpayer money, and should not be unfairly singled out. Perhaps the State also should recover "corporate welfare" payments made in the form of grants or tax credits. If a business receives this type of State assistance and consequently generates increased profits, then it should have to repay the State from that income.

Legislative Analyst: G. Towne

FISCAL IMPACT

Senate Bill 947 (S-1)

It appears that the bill would have an indeterminate fiscal impact on State government. The amendment would allow for the comparison of benefit recipients with casino winnings to target possible reimbursement by assistance grant recipients for payments received. It is uncertain how many assistance recipients would have casino winnings. However, the FIA could monitor the process to determine any fiscal impact on State revenues.

It appears that the bill would have no fiscal impact on local governments regarding the Family Independence Agency budget.

Senate Bill 949 (S-1)

There would be no fiscal impact on State government. To forfeit one's right to receive cash in lieu of food stamp coupons does not reduce or increase the value of the benefit; therefore, the forfeiture makes no change in the expenditures in the food stamp program. Furthermore, any change in expenditures would not have a fiscal impact on State government because it is a Federally funded program. There would be no fiscal impact on local government.

Fiscal Analyst: C. Cole

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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.