



**House  
Legislative  
Analysis  
Section**

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**PUBLIC ASSISTANCE; LOTTERY  
WINNERS**

**House Bill 6043 (Substitute H-2)  
Sponsor: Rep. David Jaye**

**House Bill 6044 (Substitute H-1)  
Sponsor: Rep. Michael Goschka**

**Committee: Human Services**

**Revised First Analysis (12-5-96)**

***THE APPARENT PROBLEM:***

News of large lottery winnings always make headlines, along with the usual information on how the winner plans to spend the money, and whether or not he or she plans to retire from work. Recently, however, the winner of Michigan's lottery was reported to be an individual who did not work, and who, in fact, received public assistance. Some feel that, in such situations, the individual should be expected to repay some of the assistance that has been received. After all, it is argued, delinquent child support payments are deducted from income tax refunds, and Medicaid injury settlements are recouped from supplemental support income (SSI) payments. Moreover, in New York, legislation allowing the state to recover a portion of lottery winnings from public assistance recipients has resulted in that state recouping more than one-half million dollars. Legislation has been introduced that would enable the Family Independence Agency to take action to recover these funds. The money would be recovered in the same manner that delinquent child support payments are recovered by the lottery bureau.

***THE CONTENT OF THE BILLS:***

House Bills 6043 and 6044 would amend the Social Welfare Act (MCL 400.43b) and the McCauley-Traxler-Law-Bowman-McNeely Lottery Act (MCL 432.32), respectively, to impose certain repayment requirements on persons receiving public assistance who win lottery prizes. The bills specify that these provisions would only be implemented to the extent that they were cost-effective, and subject to the development of automated systems to track information. House Bill 6044 is tie-barred to House Bill 6043.

Liability to the State. House Bill 6043 would specify that an individual who is receiving, or who had received within the previous three years, cash assistance under the

provisions of the Social Welfare Act and who won a lottery prize of \$3,000 or more would be required to repay the state for any assistance that the individual or his or her minor children had received during the previous three years, in an amount equal to up to 50 percent of the lottery prize. The amount would constitute a liability to the state, as required under the provisions of the lottery act.

In addition, if the FIA received information that an individual had won a lottery prize of \$3,000 or more from another state, the agency would be required to make reasonable efforts to recover this liability. Notwithstanding the effective date of House Bill 6043, the FIA would not have to comply with this provision until April 1, 1998.

Agreement with State Lottery Commissioner. The director of the Family Independence Agency would be required to enter into a written agreement with the state lottery commissioner setting forth the procedures for implementing the provisions of the bills. The agreement would have to include the following:

- The procedure for exchanging information regarding lottery winnings, and individuals liable for receipt of ongoing assistance within the previous three years.
- Any other matter that the parties to the agreement considered necessary to carry out the provisions of the bills.

Notwithstanding the effective date of House Bill 6043, the FIA would not have to comply with this provision until April 1, 1998.

Administrative Remedies. The FIA would be required to provide written notice to each prize winner of the amount

House Bills 6043 and 6044 (12-5-96)

of the prize that would be credited against assistance received, and the procedure and time frame by which the prize winner could contest that crediting. The notice would have to include the name of the FIA staff member, including address and telephone number, that the prize winner could contact with respect to the individual's liability for assistance or for payment of the liability. The procedure would also have to include the right to a hearing before an administrative law judge.

**Bureau of State Lottery.** Currently, under the lottery act, the Bureau of State Lottery must determine whether a lottery winner has a current liability to the state. If a liability is identified, the bureau applies the amount of the liability to the state before any amount is paid to the lottery winner. The lottery winner must receive an opportunity for a hearing with respect to the liability. House Bill 6044 would amend the act to conform to the provisions of House Bill 6043, and to specify that the administrative remedies provided under the provisions of House Bill 6043 would apply instead of the hearing required under the lottery act.

**FIA Responsibilities.** The FIA would be required to make an annual report to the legislature detailing the implementation of the provisions of the bills. The agency would also be required to notify each applicant for, or recipient of, ongoing cash assistance of the provisions of the bills. Such notice would have to be given within 30 days after the bills' effective dates, or upon the date of application.

### **FISCAL IMPLICATIONS:**

According to House Fiscal Agency analyses of the bills as introduced (dated 10-15-96), the provisions of the bills would most likely result in an indeterminate but insignificant amount of revenues to the state. Information on the substitutes is not available. (11-26-96)

According to the FIA, the bills have no fiscal implications. (11-22-96)

### **ARGUMENTS:**

#### **For:**

The philosophy that a person on public assistance who wins the lottery owes it to the taxpayers to return some of his winnings to the state is not new. According to the Family Independence Agency, in testimony before the House Human Services Committee, the state of New York has implemented a procedure similar to that proposed in the bill, and has recouped approximately one-half million dollars. The program was highlighted in a Wall Street Journal article, dated July 16, 1996, which describes the program as part of Governor Pataki's

welfare fraud package. As outlined in the article, the program owes much of its success to computer technology, which matches up lottery winners with welfare clients, past and present: a winning ticket must be taken to a state lottery office, as opposed to the store where it was purchased, and the bearer must provide tax withholding forms or other data, which is then fed into a computer to be checked against the names of welfare clients.

Many families receive various amounts of public assistance throughout their lifetimes. Some of this is received in the form of cash assistance, medical, or educational assistance. It is believed that most lottery winners who have received assistance would willingly repay money they received so that others in similar situations could be helped. In addition, some feel that money received in the form of public assistance should be used to feed, house, and clothe families, and should not be frittered away on lottery tickets. By requiring that lottery winners refund their winnings, the provisions of the bills would discourage individuals from squandering cash assistance in this manner.

#### **Response:**

Although legislation similar to that proposed in House Bill 6043 has resulted in \$531,000 being recouped by the state of New York, it should also be noted that \$220,000 of this amount was recouped in the first month the provisions were implemented. The amounts declined in the following months, and it is assumed this happened because, as word of the new procedures circulated, public assistance recipients concealed their identities when purchasing lottery tickets. Some predict that this would also be the case in Michigan. In addition, it should be remembered that approximately one-third of the Family Independence Agency's caseloads include persons who earn wages, so that not all of the money used to purchase lottery tickets comes from public assistance funds.

#### **Against:**

The committee substitute for House Bill 6043 is much weaker than the bill as originally introduced. Among other differences, the original version of House Bill 6043 did not specify that provisions designed to recoup public assistance payments could only be implemented if they were cost-effective, and that the provisions would be subject to the development of automated systems for the tracking and interchange of information. In addition, the original version of the bill specified that lottery winnings should be recouped from individuals who had received public assistance within the previous ten years, rather than three years. This version of the bill is tougher and would be more effective in repaying the taxpayers what is rightfully owed them when public assistance recipients win the lottery.

**Response:**

In Michigan, automated records containing all the data necessary to compute an individual's share of a public assistance grant are only maintained for three years. It would be both time consuming and costly to search manually for cases that had been closed for longer than three years. To search back for ten years, as required under the original version of the bill, would be impossible. In addition, there are differences between New York's procedures for handling public assistance payments and Michigan's; there is no guarantee that Michigan could obtain similar results. According to the Family Independence Agency, the automated system used by the state of New York to keep track of payments made to households is more sophisticated than Michigan's current system, and, furthermore, implementing a system to recoup public assistance payments here would be much more costly. One problem is that, under Michigan's system, payments are made based upon family size, and not to individuals. It is therefore difficult to compute how much public assistance each individual receives. Since the provisions of the bills could ultimately result in more costs to the department than could be recouped, the substitute version of House Bill 6043 specifies that its provisions would not be implemented unless it could be proven they would be cost effective.

**POSITIONS:**

The Family Independence Agency supports the concept of the bills but has no formal position. (11-26-96)

The Bureau of State Lottery has no position on the bills. (11-26-96)

Analyst: R. Young

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.