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BILL ANALYSIS



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Senate Bill 1432 (Substitute S-2 as passed by the Senate)

Sponsor: Senator Bill Hardiman

Committee: Banking and Financial Institutions

Date Completed: 9-24-10

RATIONALE

Like other states, Michigan uses a debit card to deliver food benefits and cash benefits to public assistance recipients. The Department of Human Services (DHS) issues the Michigan Bridge Card, rather than paper food stamps or checks, to eligible individuals, and makes deposits to their accounts twice monthly. Recipients can use the card at a store point-of-sale machine to buy food with food or cash benefits; to buy nonfood items with cash benefits; to withdraw cash from cash benefits; or to get cash back with a purchase. Recipients also can withdraw cash benefits from automatic teller machines (ATMs) that accept the Bridge Card. According to the DHS website, approximately 4,400 retailers and over 4,000 ATMs are available for Bridge Card use within the State. According to the Michigan Gaming Control Board, 42 of these ATMs are located at the three casinos in Detroit. Evidently, a small number are at casinos on tribal land, as well.

In June 2010, news reports out of California revealed that some public assistance recipients in that state had used their debit card to obtain cash at casinos. According to the *Los Angeles Times*, between October 2009 and May 2010, recipients had withdrawn more than \$1.8 million in cash on casino floors with their debit cards. In response, Governor Schwarzenegger issued an executive order requiring the California Department of Social Services to take all necessary steps to ensure that recipients may not obtain cash benefits from ATMs in gambling establishments.

It has been suggested that Michigan should take similar action through legislation. Data regarding withdrawals at all of the Detroit casinos are not available, but the DHS recently determined that public assistance

recipients had used Michigan Bridge Cards to withdraw approximately \$87,000 from ATMs at the MotorCity Casino between July 2009 and July 2010. Many believe that safeguards should be in place to prevent this practice.

CONTENT

The bill would amend the Social Welfare Act to require the Department of Human Services to work with the Department of Technology, Management, and Budget, and providers of automatic teller machine services, to create and implement a program or method of blocking access to cash benefits from Michigan Bridge Cards at ATMs located in casinos or casino enterprises.

If the DHS required a Federal waiver to implement these provisions, the Department would have to apply for that waiver immediately upon the bill's enactment.

"Casino" and "casino enterprise" would mean those terms as defined in the Michigan Gaming Control and Revenue Act. (That Act defines "casino" as a building in which gaming is conducted. "Casino enterprise" means the buildings, facilities, or rooms functionally or physically connected to a casino, including any bar, restaurant, hotel, retail establishment, or arena or any other facility located in a city under the control of a casino licensee or affiliated company.)

Proposed MCL 400.57v

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

Cash benefits are available to meet the basic needs of public assistance recipients and their families. Since the assistance program is designed to teach individuals self-sufficiency and responsible money management, no restrictions are placed on the use of the cash. There is now evidence that recipients in Michigan are withdrawing cash benefits at casinos, and it is entirely possible that they are using the money to gamble. There is nothing in current law, however, to stop them from doing so.

The bill would prevent this practice by requiring the DHS to take steps to block access to cash benefits at casino ATMs. The legislation would help ensure that the benefits were used for legitimate purposes, such as feeding and clothing children. It also would send a message that Michigan is diligently protecting the taxpayer dollars that pay for public assistance.

Response: In order for the DHS to comply with the bill, it would need to get ATM identification codes from the financial institutions that own the machines, and then supply the codes to its vendor. While some representatives of the banking industry have indicated their willingness to cooperate, there is nothing in the bill compelling them to do so. In addition, some financial institutions rely on third party processors that add their own identification numbers, further complicating implementation of the bill.

Opposing Argument

The bill would unfairly and unnecessarily stigmatize low-income people.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

State: Assuming the Department of Human Services and/or the Department of Technology, Management, and Budget were provided with the correct ATM location and identification information by the banks that own the ATMs, then the cost to the Department(s) of programming the ATMs to block cash assistance payments in casinos would be minimal (estimated at a few thousand dollars). However, if accurate information were not made available to the Department(s), then it is possible that this legislation could not be implemented as written, since there is no requirement for the banking industry to provide such information.

Local: The bill would have no fiscal impact on local government.

Fiscal Analyst: Kathryn Summers

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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.