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## WITHHOLD LOTTERY WINNINGS

Senate Bill 501 (Substitute H-2)  
First Analysis (10-7-93)

Sponsor: Sen. Jack Welborn  
Senate Committee: Family Law, Criminal  
Law, and Corrections  
House Committee: Judiciary

### ***THE APPARENT PROBLEM:***

Unpaid child support is a significant problem in this state; when support is not paid, children can end up in poverty, with obvious consequences for them and society. The total amounts in arrearage are substantial: reports are that in 1991, arrearages in Michigan AFDC cases totalled \$1.42 billion, while arrearages were estimated to be at least \$1.38 billion in non-AFDC cases (this latter figure is thought to be conservative, as it reflects only certain arrearages reported by recipients).

While mechanisms to enforce the payment of support include the intercepting of tax refunds and the use of income withholding, one mechanism, the interception of lottery winnings, is only partly available. The lottery act requires the lottery bureau to intercept prizes of \$5,000 or more for any liability owed the state, and apply winnings to such liability before paying the remainder to the prizewinner. Although this language does not explicitly include support arrearages, arrearages in AFDC (Aid to Families with Dependant Children) cases can be considered debts to the state, and lottery winnings may be and are intercepted for these arrearages, although it appears that the situation has arisen only a few times.

To improve collections of support arrearages from lottery winnings, and to increase collections of debts owed the state, it has been proposed that the threshold for intercepting a prize be lowered, and that prizes that hit that threshold be intercepted for non-AFDC support arrearages, as well as debts to the state.

### ***THE CONTENT OF THE BILL:***

The bill would amend the lottery act to provide for the interception of all lottery prizes of \$1,000 or more, to satisfy debts to the state and pay support arrearages. (Intercepts are at present limited to

prizes of \$5,000 or more, for debts owed the state.) An intercepted prize would be used first to pay any state debt, and next to pay a support arrearage, with any remainder going to the prizewinner.

At least once a month, the Department of Treasury would provide the lottery bureau with information on people known to have a current liability to the state or a support arrearage. An amount to be applied to a support arrearage would be paid by the lottery bureau to the Department of Treasury, which would then pay the amount to the friend of the court in the appropriate judicial circuit.

Until October 1, 1995, each friend of the court would have discretion whether to report the names of delinquent payers to the Department of Treasury. Beginning October 1, 1995, each friend of the court would have to report delinquent payers to the Office of Child Support (housed within the Department of Social Services), and the Office of Child Support would have to provide that information to the Department of Treasury.

MCL 432.32

### ***HOUSE COMMITTEE ACTION:***

The House Judiciary Committee adopted a substitute bill that differed from the Senate version in providing for friends of the court to report names of delinquent payers to state authorities, and in not adding merchandise prizes to the intercept provision.

### ***FISCAL IMPLICATIONS:***

With regard to the Senate version of the bill, the Senate Fiscal Agency said that the bill would have a minimal fiscal impact on the Department of Treasury, and that the bill would lead to a slight

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reduction in state general fund/general purpose spending through the recoupment of some AFDC arrearages from lottery winnings. (3-29-93)

### ***ARGUMENTS:***

#### ***For:***

The bill will increase support collections and collections of debts owed the state. The potential impact of the bill is well-illustrated by data provided by House staff: in fiscal year 1991-92, only 320 people were paid prizes of \$5,000 or more, the current threshold for interception; in contrast, 21,597 people were paid prizes of \$1,000 or more, the threshold proposed by the bill. By directly addressing support arrearages, the bill would extend lottery intercept provisions to non-AFDC cases, while AFDC cases could continue to be collected under authority to intercept lottery winnings to collect debts to the state.

#### ***Against:***

The bill could cause problems for the lottery bureau. The bureau would be burdened with checking thousands of prizes against lists of state debtors and delinquent payers of support, thus delaying payment of prizes and frustrating winners. Further, the bill could weaken player confidence and interest in lottery games, by fostering a perception that the lottery prizes are a false promise.

#### ***Response:***

The bill incorporates provisions for communication between the lottery and the treasury department that basically reflect current mechanisms for exchanging information. This information is computerized, and thus the cross-checking is not the mammoth project that it might appear to be. Further, while interception of winnings would certainly disappoint certain debtors, it is unlikely that the experiences of these relatively few winners would significantly affect the habits of lottery players in general.

#### ***Against:***

The bill should intercept even more lottery prizes by lowering the interception threshold even further. It should be a relatively simple matter to use existing data systems, along with terminals at district lottery offices, to intercept all lottery prizes over \$600 (which is the maximum amount that can be claimed at the point of sale).

#### ***Response:***

The bill represents a reasonable compromise between intercepting all lottery winnings and accommodating the needs of the lottery program. There should at least be an evaluation of future experience with the \$1,000 threshold before lowering it further.

#### ***Against:***

The bill proposes certain reporting duties for the friends of the court. These duties are better addressed through the Friend of the Court Act or the Support and Visitation Enforcement Act, or both. It is those acts that deal with the powers and duties of friends of the court, not the lottery act. Moreover, it may be somewhat off the mark to be requiring friends of the court to report certain information to the Office of Child Support; that information is to be made available on the computerized network that is supposed to be in place by October 1, 1995, and managed by the Office of Child Support. A better approach might be to require certain information to be placed on the network, if it is up and running.

### ***POSITIONS:***

The Family Support Council supports the concept of the bill. (10-6-93)

The Friend of the Court Association of Michigan has no position on the bill. (10-6-93)

The lottery commissioner does not oppose the bill. (10-6-93)