



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5437 (Substitute H-1 as passed by the House)
Sponsor: Representative Dale W. Zorn
House Committee: Commerce
Senate Committee: Reforms, Restructuring and Reinventing

Date Completed: 10-16-12

CONTENT

The bill would amend the Lottery Act to require for the payment of a lottery winner's unemployment compensation debt from a prize of \$1,000 or more, after higher-priority distributions of the prize amount, before any balance was paid to the winner.

The Act requires the Lottery Bureau, before paying a prize of \$1,000 or more, to determine whether Department of Treasury records show that the winner has a current liability to the State or a support arrearage. If a liability is identified, the Bureau must ascertain its amount owed from the Department.

The bill also would require the Bureau, before paying a prize of \$1,000 or more, to determine whether Unemployment Insurance Agency records showed that the winner had any current liability for restitution of unemployment benefits, penalty, or interest under the Michigan Employment Security Act. If a liability were identified, the Bureau would have to determine its amount from the Agency.

Currently, after determining the amount of a liability, the Bureau must apply the amount of the prize in the following order of priority:

- To any liability to the State other than an assigned delinquent account owed to a court.
- To any support arrearage.
- To any assigned delinquent account owed to a court.

Any balance then must be paid to the lottery winner.

The bill would require the Bureau to apply the amount of the prize to any unemployment compensation debt, after applying it to any liability to the State (other than an assigned delinquent account owed to a court) and to any support liability.

The Lottery Act requires the prize winner to be given notice regarding the liability to which the prize is to be applied, and an opportunity for a hearing before the Department of Treasury, unless the liability has been reduced to judgment or has been finalized under review provisions of the statute under which the liability arose. Under the bill, this requirement would not apply to a payment applied to an unemployment compensation debt.

The Bureau currently is subject to confidentiality restrictions and penalties provided in the Lottery Act, in regard to the information provided by the Department of Treasury. Under the bill, the Bureau also would be subject to confidentiality restrictions and penalties provided in the Michigan Employment Security Act, in regard to the information provided by the Unemployment Insurance Agency.

MCL 432.32

BACKGROUND

As amended by Public Act 269 of 2011, the Michigan Employment Security Act requires the Lottery Bureau, before paying a prize of \$1,000 or more under the Lottery Act, to determine whether the winner has a current liability for restitution of unemployment benefits, penalty, or interest, assessed by the Unemployment Insurance Agency and the amount of the prize owing to the Agency, and to remit that amount to the Agency.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an indeterminate but positive fiscal impact on the Department of Licensing and Regulatory Affairs (LARA). It is unknown how much would be collected through unemployment compensation restitution payments made by the Bureau of State Lottery on behalf of those who owe them, but those payments would be used by LARA in two ways: Restitution for unemployment insurance (UI) benefits would serve to reduce future State Unemployment Tax Act (SUTA) payments for each employer whose employees were paid UI benefits erroneously. Restitution for penalties and interest would be credited to the Penalty and Interest Account where they would be used, upon appropriation, to pay for a variety of administrative functions in the Unemployment Insurance Agency.

The Lottery Bureau would experience increased costs in an unknown amount in order to develop a process to match lottery prize winners against accounts being collected by the Unemployment Insurance Agency. Currently, before paying a prize of \$1,000 or more, the Lottery checks against information from the Department of Treasury that lists delinquent accounts that are being collected by Treasury. Information from the Unemployment Insurance Agency is not included in those data.

Fiscal Analyst: Elizabeth Pratt
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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.