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BILL ANALYSIS

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Senate Bills 554, 555, and 556 (as introduced 9-26-13)
Sponsor: Senator Rick Jones
Committee: Banking and Financial Institutions

Date Completed: 10-2-13

CONTENT

Senate Bills 554 and 555 would amend different statutes to require certain businesses to work with the Department of Human Services (DHS) and persons who provide ATM services on the business premises to prevent an individual's access to Family Independence Program (FIP) assistance by electronic funds transfer or withdrawal from an ATM on the business premises.

Senate Bill 554 would amend the Horse Racing Law and apply to a track license holder.

Senate Bill 555 would amend the Michigan Liquor Control Code and apply to a retailer, except a retail grocery store that sold or offered staple foods for off-premises consumption in addition to alcoholic liquor.

Senate Bill 556 would amend the Social Welfare Act to require the DHS to work with providers of ATM services to create and implement a program or method to block access to FIP assistance at ATMs located in liquor stores or adult entertainment establishments.

Senate Bills 554 and 555 would incorporate the Social Welfare Act's definition of "family independence program assistance", which is financial assistance provided to a family under the Family Independence Program.

Senate Bill 556 would include the following definitions.

"Adult entertainment establishment" would mean any of the following: 1) an on-premises licensee that holds a topless activity permit under the Michigan Liquor Control Code; and 2) any other retail establishment that provides adult-oriented entertainment in which performers disrobe or perform in an unclothed state for entertainment.

Except as provided below, the terms "casino", "casino enterprise", and "gaming" would be defined as in the Michigan Gaming Control and Revenue Act. (That Act defines "casino" as a building in which gambling is conducted. "Casino enterprise" means the buildings, facilities, or rooms functionally or physically connected to a casino, including any bar, restaurant, hotel, cocktail lounge, retail establishment, or arena or any other facility located in a city under the control of a casino licensee or affiliated company. "Gaming" means to deal, operate, carry on, conduct, maintain, or expose or offer for play any gambling game or gambling operation.)

"Casino" and "casino enterprise" would not include the following: 1) a grocery store that sells groceries, including staple foods, and is located in a casino or casino enterprise; or 2) any other business establishment that offers gaming that is incidental to the principal purpose of that establishment. The bills would incorporate the definition of "staple foods" from Title 7 of the U.S. Code. (Under Title 7, "staple foods" are foods in the following categories: meat, poultry, or fish; bread or cereals; vegetables or fruits; and dairy products. The term does not include accessory food items.)

"Retailer" would mean that term as defined in the Liquor Control Code. Under the provisions in the bill, the term would not include a retail grocery store that sold or offered staple foods. (The Liquor Control Code defines "retailer" as a person licensed by the Liquor Control Commission who sells to the consumer in accordance with rules promulgated by the Commission, including a brewpub, but not a manufacturer or supplier that is licensed to sell to consumers in this State.)

"Spirits" would mean that term as defined in the Liquor Control Code. (The Code defines "spirits" as a beverage that contains alcohol obtained by distillation, mixed with potable water or other substances, or both, in solution, including wine that contains an alcoholic content of more than 21% by volume, except sacramental wine and mixed spirit drink.)

Proposed MCL 431.309b (S.B. 554)
436.2024 (S.B. 555)
MCL 400.57v (S.B. 556)

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bills would increase State spending by a minimum of \$120,000 Gross per year. The scope of services required by the bills, however, could result in additional, as of yet undetermined, costs in the State's third-party contract, or minimal increased costs for administrative or information technology-related activities at the State level.

Currently, the Department has a five-year contract with Xerox to provide electronic benefit transfer (EBT) services and functions to support the electronic delivery of cash and food assistance benefits to recipients throughout the State. Xerox is not the sole broker to determine whether an ATM can provide EBT services and cash benefits, however. Retailers enter into contracts with third party processors (which are generally financial institutions) and can request that ATMs in their establishments block access to cash benefits.

The contract with Xerox included an estimate of \$10,000 per month "to block cash withdrawals from certain retailers and/or ATMs". The State has not yet used this optional service, however. Current statute requires the Department to block access to cash benefits in the State's 26 casinos (MCL 400.57v), but the casinos have taken on the responsibility to block access. While the State has not yet implemented this optional \$10,000-per-month service, the bills would result in implementation of the service.

Potential cost increases include expenditures in excess of the estimate provided in Xerox's contract, as well as possible information technology or administrative expenditures. The bills would significantly increase the number of retailers that would be blocked from providing cash benefits, which could affect the Xerox contract. The DHS website provides a list of all locations that include ATMs with the Quest logo, where cash benefits can be withdrawn. The list is 175 pages long and includes approximately 13,000 vendors. As an example of the potential increase in scope of services, 285 of these vendors have the word "liquor" in the name of the store. The Michigan Liquor Control Commission (LCC) reported 8,006 off-premises licensed businesses that sell beer, wine, and spirits, but the LCC does not have a way to distinguish whether the businesses are primarily liquor stores. While the bills would not require additional tracking mechanisms for enforcement, implementation of

the legislation could result in some minimal administrative or information technology-related costs.

Provisions in Senate Bills 554 and 555 that would require the track license holders and liquor store owners to work with the Department and ATM providers to ensure that cash benefits could not be obtained through ATMs at their locations would not result in increased costs to the State or local units of government.

Fiscal Analyst: Frances Carley

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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.