

Act No. 298
Public Acts of 1992
Approved by the Governor
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**STATE OF MICHIGAN
86TH LEGISLATURE
REGULAR SESSION OF 1992**

Introduced by Reps. Hertel, DeMars, Profit, Dolan, Leland, Niederstadt, McNutt, Strand, Saunders, Olshove, DeBeaussiaert, Weeks and Kosteva

ENROLLED HOUSE BILL No. 4396

AN ACT to regulate the solicitation of contributions by persons affiliated with or organized for the benefit of public safety organizations; to provide for registration and disclosure statements; to prescribe the powers and duties of certain state agencies and officials; to prohibit certain activities; and to prescribe remedies and penalties.

The People of the State of Michigan enact:

Sec. 1. This act shall be known and may be cited as the "public safety solicitation act".

Sec. 2. As used in this act:

(a) "Contribution" means the promise, grant, or payment of money or property of any kind or value, including promises to pay made to an organization or professional fund-raiser. Contribution does not include money or property received from a governmental entity or a foundation restricted as to use. Contribution does not include funds collected by an organization exclusively from the members of the organization or payments clearly stated as not being and are not deductible as a charitable contribution for federal income tax purposes by members of an organization for bona fide membership fees, dues, fines, assessments, or for services rendered to individual members, if membership in the organization confers a right, or other direct benefit, other than only membership status.

(b) "Person" means an individual, organization, group, association, partnership, corporation, trust, professional fund-raiser, or any combination of those entities.

(c) "Professional fund-raiser" means a person who for compensation or other consideration plans, conducts, manages, or carries on, either directly or through paid individual solicitors, a drive or campaign of soliciting contributions for or on behalf of a public safety organization or person. An officer or employee of a public safety organization is not a professional fund-raiser unless his or her compensation or salary is based in whole or in part on the amount of funds raised through solicitations.

(d) Except for an organization that was created for the purpose of electing a candidate to public office and has complied with the requirements of the Michigan campaign finance act, Act No. 388 of the Public Acts of 1976, being sections 169.201 to 169.282 of the Michigan Compiled Laws, "public safety organization" or "organization" means any group, organization, association, union, or conference of current or former law enforcement officers, fire fighters, correctional officers, employees thereof or any other entity that represents itself to be affiliated or associated with such organizations that meet both of the following:

(i) The voting membership is comprised of at least 75% of individuals who are currently or formerly law enforcement officers, fire fighters, or correctional officers.

(ii) The voting membership consists of at least 25% of all of the individuals the organization claims to represent.

Sec. 3. (1) Except as provided in section 4, a person shall not solicit contributions within this state, or receive funds solicited within this state on its behalf, unless the person is an organization and has first registered with the attorney general. An organization shall register in writing on a form prescribed by the attorney general. The registration form shall contain all of the following:

(a) The name of the organization and the name or names under which it will solicit or receive contributions.

(b) The principal address of the organization and the address of all other offices of the organization in this state. If the organization does not maintain a principal office in this state, the registration form shall contain the name and address of the person having custody of its financial records.

(c) The location and date when the organization was legally established, the form of its organization, and a reference to any determination of its tax exempt status under the federal internal revenue code.

(d) The names and business addresses of the officers, directors, trustees, the principal executive officer, and, if applicable, the resident agent.

(e) The specific areas for which the contributions to be solicited or received will be used. The areas of expenditure shall be broken down into 1 or more of the following categories:

(i) Administrative.

(ii) Political purposes and campaign contributions.

(iii) Membership services.

(iv) Charitable contributions.

(v) Education and training.

(f) If the organization is existing on the effective date of this act or files a renewal registration pursuant to subsection (6), it shall include a financial statement for the preceding fiscal year that provides the percentage range as required by subsection (2) of the total distributions by the categories as required by subdivision (e).

(g) The fiscal year of the organization.

(h) A copy of any written consent required under section 9(3).

(2) The category distributions of an organization shall be reported by 1 of the following percentage ranges:

(a) 0-10%.

(b) 11-25%.

(c) 26-50%.

(d) 51-75%.

(e) 76-100%.

(3) The registration form shall be accompanied by a registration fee of \$25.00. The revenue collected under this subsection shall be deposited in the state treasury and credited to the general fund.

(4) The registration shall be effective immediately upon receipt by the attorney general of the completed registration form and the registration fee.

(5) A registration filed under this section shall expire 6 months after the closing date of the organization's fiscal year.

(6) A registration filed under this section may be renewed for an additional 1-year period by filing a renewal registration in the form prescribed by the attorney general and payment of a renewal fee of \$25.00 before the expiration of the existing registration. The information required in the renewal form shall not exceed the information required by this section.

Sec. 4. (1) A professional fund-raiser shall not solicit contributions within this state on behalf of an organization or public safety official without first registering with the attorney general. The registration shall be in writing on a form prescribed by the attorney general and contain the same information as required under section 3(1)(a) to (d).

(2) The registration form shall include the legal name and address of each individual who will for compensation be making or supervising the making of solicitation for contributions.

(3) The registration shall be accompanied by a surety bond. The bond shall be in a form satisfactory to the attorney general. The professional fund-raiser is the obligor on the surety bond of which the surety company is the surety. The company shall be qualified in this state to write bonds required by this act. The surety bond

shall run to the attorney general for the benefit of the people of the state of Michigan for the use of, and may be sued on by, the state or any person who may have a cause of action under this act against the obligor of the bond under this act. The surety bond shall require the obligor to faithfully conform to and abide by the provisions of this act.

(4) For a professional fund-raiser existing on the effective date of this act the principal sum of the initial surety bond and for a professional fund-raiser not existing on the effective date of this act the principal sum of the surety bond for the first year shall be in the amount of \$25,000.00.

(5) The registration form shall be accompanied by a registration fee of \$200.00. The revenue collected under this subsection shall be deposited in the state treasury and credited to the general fund.

(6) The registration shall be effective immediately upon receipt by the attorney general of the completed registration form, surety bond, and registration fee.

(7) The registration filed under this section shall expire 6 months after the closing date of the public fund-raiser's fiscal year.

(8) A registration filed under this section may be renewed for an additional 1-year period by filing a renewal registration in the form prescribed by the attorney general, a renewal surety bond, and payment of a renewal fee of \$200.00 before the expiration of the existing registration. The information required in the renewal form shall not exceed the information required in the initial registration form. The principal sum of the surety bond for a renewed registration shall be in the following amount based on the total contributions the professional fund-raiser collected during the preceding fiscal year:

(a) Contributions of \$100,000.00 or less - \$25,000.00.

(b) Contributions between \$100,000.00 and \$200,000.00 - \$50,000.00.

(c) Contributions between \$200,000.00 and \$300,000.00 - \$75,000.00.

(d) Contributions in excess of \$300,000.00 - \$100,000.00.

(9) A professional fund-raiser shall maintain a list of the address and legal name of each individual who has made a solicitation within 1 year, is currently soliciting, or will be making solicitations on behalf of the professional fund-raiser.

Sec. 5. An organization or professional fund-raiser shall notify the attorney general within 15 days of any change in the information required to be furnished for registration under this act.

Sec. 6. (1) Except as provided in subsection (2), registration forms and documents required to be filed with the attorney general under this act shall be open to public inspection as provided by the freedom of information act, Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(2) The addresses required to be provided under section 4(2) and 4(9) and as otherwise provided in section 18(6) shall be exempt from the provisions of Act No. 442 of the Public Acts of 1976.

Sec. 7. The attorney general shall not accept a registration under this act from an organization or professional fund-raiser located in another state or country without the organization or professional fund-raiser first designating a resident agent in this state for the acceptance of service of process.

Sec. 8. (1) An organization or professional fund-raiser which does not maintain an office within this state shall be subject to service of process by service upon its resident agent, or, if there is no resident agent, by service upon the person who has custody of the financial records as designated on the registration form.

(2) If service cannot be made as provided in subsection (1), then service may be made as provided by law or court rule.

(3) After service is effected by either subsection (1) or (2), a copy of the process shall be mailed to the last known address of the organization or professional fund-raiser.

Sec. 9. (1) Except as provided by subsection (2), an organization or professional fund-raiser shall not use for the purpose of soliciting contributions a name, symbol, or statement so closely related or similar to that used by another organization that it would tend to confuse or mislead the public.

(2) Subsection (1) does not apply to an organization or professional fund-raiser with a name, symbol, or statement existing on the effective date of this act.

(3) An organization or professional fund-raiser shall not use for the purpose of soliciting contributions the name of another person not affiliated with the organization without first obtaining the written consent of the person.

(4) A person whose name, symbol, or statement is used in violation of this section may bring an action in the circuit court of the county in which the violation occurs for \$25,000.00 or actual damages, whichever is greater, plus reasonable attorney fees.

Sec. 10. An organization or professional fund-raiser shall not divert solicited funds to a purpose or purposes other than that for which the funds were contributed or solicited.

Sec. 11. (1) An organization or professional fund-raiser shall not, in connection with the solicitation or reception of contributions for or on behalf of an organization or public safety person, misrepresent to, mislead, make false statements to, or use a name other than the solicitor's legal name to another person by any manner that would lead a reasonable person to believe any of the following:

(a) That if the person makes a contribution, he or she will receive special benefits or treatment from a public safety organization or that failure to make a contribution will result in unfavorable treatment from a public safety organization.

(b) That contributions are tax deductible unless they so qualify under the internal revenue code.

(c) That the person is under an obligation to make a contribution.

(d) That failure to make a contribution will adversely affect the person's credit rating.

(e) That the solicitor is located in a geographic area that is different than the geographic area in which the solicitor is actually located.

(f) That the solicitor has a sponsorship, approval, status, affiliation, or connection with an organization or purpose which the solicitor does not actually have.

(g) That the person has previously approved or agreed to make a contribution, when in fact the person has not given such approval or agreement.

(h) That the contributions are for a purpose that is different than the actual purpose for which the contributions will be used.

(2) An organization or professional fund-raiser shall not knowingly take advantage of the inability of the person being solicited to reasonably protect his or her interests by reason of disability, illiteracy, or inability to understand the terms and conditions of an agreement to contribute.

(3) An organization or professional fund-raiser shall make a voice recording of all telephone communications that solicit contributions and shall make the recording available to the attorney general upon a request as a result of an investigation or complaint. Each solicitor shall be notified that a recording is being made of all telephone communications. Unless notified by the attorney general that the recordings are part of an investigation or complaint, the recording shall be kept for 60 days by the organization or professional fund-raiser.

(4) If asked by the person being solicited, the organization or professional fund-raiser shall inform the person whether the solicitor is or is not a sworn public safety officer or a member of the organization soliciting the funds.

(5) Except as otherwise provided by this act, an individual who makes a face-to-face solicitation for contributions shall be a member of the organization on whose behalf the contribution is sought and shall not wear a public safety uniform or other clothing similar to a public safety uniform. Except for a pledge or promise to contribute, an individual who makes a solicitation under this subsection, or an agent of the organization on whose behalf the solicitation was made, shall not collect or receive any face-to-face contribution as a result of the solicitation.

Sec. 12. (1) Each organization or professional fund-raiser shall prepare a disclosure statement to be given with all printed material and read when contact is made by telephone, to each person from whom a contribution is solicited. The disclosure statement shall contain all of the following information:

(a) The name and purpose of the organization.

(b) Whether the solicitor is a separate organization acting on behalf of a public safety organization.

(c) The specific purpose or purposes, including any political purposes and campaign contributions, for which the contributions are to be used.

(d) That the categories and percentages of distributions of contributions are available upon request as provided in subsection (2).

(2) Upon written or verbal request of the individual being solicited, the solicitor shall provide the percentage ranges for each category as described in section 3.

Sec. 13. Each organization or professional fund-raiser shall print the following information conspicuously on all invoices, pledge cards, or other written requests for payment:

(a) The name and purpose of the organization.

(b) Whether the solicitor is a separate organization acting on behalf of a public safety organization.

(c) The specific purpose or purposes for which the contributions are to be used.

(d) That the solicitor is registered with the attorney general and that information concerning the solicitor may be obtained by calling the toll-free telephone number established pursuant to section 15. The solicitor shall provide the person being solicited the toll-free telephone number.

Sec. 14. An organization or person is exempt from the requirements of this act if the solicitations of the organization or person meet either of the following:

(a) All of the following:

(i) The purpose of the solicitation is to aid a specifically named spouse and children of a public safety officer who died or was injured in the line of duty and not less than 75% of the contributions go for this purpose.

(ii) The organization's membership has officers from the same employer as the slain or injured officer whose family would benefit from the contributions and the solicitations are only conducted within the jurisdiction of the public safety employer.

(iii) The organization has received written approval, on a form approved by the attorney general, from the person or persons on whose behalf the contributions are being sought.

(b) All of the following:

(i) The solicitation is on behalf of a charitable organization that is not the organization to which the person making the solicitation is a member.

(ii) The person making the solicitation is not compensated by the organization for which the solicitation was made.

(iii) The solicitation is conducted in a place accessible by the general public.

Sec. 15. The attorney general shall establish a toll-free telephone number which may be called to obtain information concerning or to file a complaint against a solicitor of contributions under this act.

Sec. 16. (1) If the attorney general has probable cause to believe that a person has engaged, is engaging, or is about to engage in a method, act, or practice which is unlawful pursuant to this act, and upon notice given in accordance with this section, the attorney general may bring an action in accordance with principles of equity to restrain the person by temporary or permanent injunction from engaging in the method, act, or practice. The action may be brought in the circuit court of the county where the person is established or solicits contributions or, if the person is not established in this state, in the circuit court of Ingham county. The court may award costs to the prevailing party. For persistent and knowing violation of this act the court may assess the person a civil penalty of not more than \$5,000.00.

(2) Unless waived by the court on good cause shown not less than 10 days before the commencement of an action under this section the attorney general shall notify the person of his or her intended action and give the person an opportunity to cease and desist from the alleged unlawful method, act, or practice or to confer with the attorney general in person, by counsel, or by other representative as to the proposed action before the proposed filing date. The notice may be given the person by mail, postage prepaid, to his or her usual place of business or, if the person does not have a usual place of business, to his or her last known address, or to the resident agent.

(3) A prosecuting attorney or law enforcement officer receiving notice of an alleged violation of this act, or of a violation of an injunction, order, decree, or judgment issued in an action brought pursuant to this act, or of an assurance under section 17, shall immediately forward written notice of the violation together with any information he or she may have to the attorney general.

(4) In addition to any other penalties provided by this act, a person who knowingly violates the terms of an injunction, order, decree, or judgment issued pursuant to this section shall forfeit and pay to the state a civil penalty of not more than \$500.00 for each violation. For the purposes of this section, the court issuing an injunction, order, decree, or judgment shall retain jurisdiction, the cause shall be continued, and the attorney general may petition for recovery of a civil penalty as provided by this act.

Sec. 17. (1) If the attorney general has authority to institute an action or proceeding pursuant to section 16, he or she may accept an assurance of discontinuance of a method, act, or practice which is alleged to be unlawful under this act from the person who is alleged to have engaged, is engaging, or is about to engage in the method, act, or practice. Except as provided in subsection (2), the assurance shall not constitute an admission of guilt nor be introduced in any other proceeding. The assurance may include a stipulation for 1 or more of the following:

(a) The voluntary payment by the person for the costs of investigation.

(b) An amount to be held in escrow pending the outcome of an action.

(c) An amount for restitution to an aggrieved person.

(2) An assurance of discontinuance shall be in writing and filed with the court. The clerk of the court shall maintain a record of the filings. Unless rescinded by the parties or voided by a court for good cause, the assurance may be enforced in the court by the parties to the assurance. The assurance may be modified by the parties or by the court for good cause.

Sec. 18. (1) Upon the ex parte application of the attorney general to the circuit court in the county where the person is established or solicits contributions or, if the person is not established in this state, in Ingham county, the circuit court, upon finding probable cause to believe a person has engaged, is engaging, or is about to engage in a method, act, or practice which is unlawful under this act, may issue the subpoena compelling a person to appear before the attorney general and under oath answer questions relating to the alleged violation of this act. A person served with a subpoena may be accompanied by counsel when he or she appears before the attorney general. The subpoena may compel a person to produce the books, records, papers, documents, or things relating to the alleged violation of this act. During the examination of documentary material under the subpoena, the court may require a person having knowledge of the documentary material or the matters contained in the documentary material to attend and give testimony under oath or acknowledgment with respect to the documentary material.

(2) The subpoena shall include the notice of the time, place, and cause of the taking of testimony, examination, or attendance and shall allow not less than 10 days before the date of the taking of testimony, examination, or attendance, unless for good cause shown the court shortens the period of time.

(3) Service of the notice shall be in the manner provided and subject to the provisions that apply to service of process upon a defendant in a civil action commenced in the circuit court.

(4) The notice shall include all of the following:

(a) A statement of the time and place for the taking of testimony or the examination and the name and address of the person to be examined. If the name is not known, the notice shall give a general description sufficient to identify the person or the particular class or group to which the person belongs.

(b) A reference to this section and the general subject matter under investigation.

(c) A description of the documentary material to be produced with reasonable specificity so as to indicate fairly the material demanded.

(d) A return date within which the documentary material shall be produced.

(e) Identification of the members of the attorney general's staff to whom the documentary material shall be made available for inspection and copying.

(5) At any time before the date specified in the notice, upon motion for good cause shown, the court may extend the reporting date or modify or set aside the notice and subpoena.

(6) The documentary material or other information obtained by the attorney general pursuant to an investigation under this section shall be confidential records of the office of the attorney general and shall not be available for public inspection or copying or divulged to any person except as provided in this section. The attorney general may disclose documentary material or other information as follows:

(a) To other law enforcement officials.

(b) In connection with an enforcement action brought pursuant to this act.

(c) Upon order of the court, to a party in a private action brought pursuant to this act.

Sec. 19. (1) A person upon whom a notice is served pursuant to section 18 shall comply with the terms of the notice unless otherwise provided by order of the court.

(2) A person who does any of the following shall be assessed a civil penalty of not more than \$5,000.00:

(a) Knowingly without good cause fails to appear when served with a notice.

(b) Knowingly avoids, evades, or prevents compliance, in whole or in part, with an investigation, including the removal from any place, concealment, destruction, mutilation, alteration, or falsification of documentary material in the possession, custody, or control of a person subject to the notice.

(c) Knowingly conceals relevant information.

(3) The attorney general may file a petition in the circuit court of the county in which the person is established or solicits contributions or, if the person is not established in this state, in the circuit court of Ingham county for an order to enforce compliance with a subpoena or this section. A violation of a final order entered pursuant to this section may be punished as civil contempt.

(4) Upon the petition of the attorney general, the circuit court may enjoin a person from soliciting contributions in this state if the person persistently and knowingly evades or prevents compliance with an injunction issued pursuant to this act.

Sec. 20. (1) The attorney general may bring a class action on behalf of persons residing in or injured in this state for the actual damages caused by any method, act, or practice that is unlawful under this act.

(2) The court after a hearing may appoint a receiver or order sequestration of the defendant's assets if it appears to the satisfaction of the court that the defendant threatens or is about to remove, conceal, or dispose of his or her assets to the detriment of members of the class.

(3) If at any stage of the proceedings the court requires that notice be sent to the class, the attorney general may petition the court to require the defendant to bear the cost of the notice. In determining whether to impose the cost on the defendant or the state, the court shall consider the probability that the attorney general will succeed on the merits of the action.

(4) If the defendant shows by a preponderance of the evidence that a violation of this act resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid the error, the amount of recovery shall be limited to actual damages and attorneys' fees.

(5) An action shall not be brought by the attorney general under this section more than 6 years after the occurrence of the method, act, or practice which is the subject of the action.

Sec. 21. (1) Whether or not he or she seeks damages or has an adequate remedy at law, a person may bring an action to do either or both of the following:

(a) Obtain a declaratory judgment that a method, act, or practice is unlawful under this act.

(b) Enjoin in accordance with the principles of equity a person who is engaging or is about to engage in a method, act, or practice which is unlawful under this act.

(2) Except in a class action, a person who suffers loss as a result of a violation of this act may bring an action to recover actual damages or \$250.00, whichever is greater, together with reasonable attorneys' fees.

(3) A person who suffers loss as a result of a violation of this act may bring a class action on behalf of persons residing or injured in this state for the actual damages caused by any method, act, or practice that is unlawful under this act.

(4) The court after a hearing may appoint a receiver or order sequestration of the defendant's assets if it appears to the satisfaction of the court that the defendant threatens or is about to remove, conceal, or dispose of his or her assets to the detriment of members of the class.

(5) If at any stage of proceedings brought under subsection (3) the court requires that notice be sent to the class, a person may petition the court to require the defendant to bear the cost of notice. In determining whether to impose the cost on the defendant or the plaintiff, the court shall consider the probability that the person will succeed on the merits of his or her action.

(6) If the defendant shows by a preponderance of the evidence that a violation of this act resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid the error, the amount of recovery shall be limited to actual damages.

(7) An action under this section shall not be brought more than 6 years after the occurrence of the method, act, or practice which is the subject of the action. When a person commences an action against another person, the defendant may assert, as a defense or counterclaim, any claim under this act arising out of the transaction on which the action is brought.

Sec. 22. (1) Upon commencement of an action brought pursuant to section 21 or section 25, the clerk of the court shall mail a copy of the complaint to the attorney general, and upon entry of a judgment or decree in the action, the clerk of the court shall mail a copy of the judgment, decree, or order to the attorney general.

(2) In a subsequent action by the attorney general brought pursuant to section 20 proof of a violation of a permanent injunction issued pursuant to section 16 is conclusive evidence that the defendant engaged in a method, act, or practice which is unlawful under this act.

Sec. 23. If the attorney general or prosecuting attorney commences an action or files a voluntary assurance pursuant to this act, filing fees shall not be required to be paid.

Sec. 24. A law enforcement officer in the state, if requested by the attorney general or a prosecuting attorney, shall aid and assist in an investigation of an alleged or actual violation of this act.

Sec. 25. A prosecuting attorney may conduct an investigation pursuant to this act and may institute and prosecute an action under this act in the same manner as the attorney general.

Sec. 26. This act does not limit or restrict the exercise of powers or the performance of the duties of the attorney general or local prosecutors which they are otherwise authorized to exercise or perform under any other provisions of law, including seeking injunctive relief to stop prohibited activity.

Sec. 27. This act shall not take effect unless Senate Bill No. 1140 of the 86th Legislature is enacted into law.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved

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Governor.