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PUBLIC FINANCING AMENDMENTS

Senate Bill 595 (Substitute H-1) First Analysis (6-30-93)

Sponsor: Sen. Joanne Emmons
Senate Committee: Government
Operations
House Committee: House Oversight &
Ethics

THE APPARENT PROBLEM:

The Michigan Campaign Finance Act provides for public funding of gubernatorial campaigns through a taxpayer-supported state campaign fund. Taxpayers have the option of directing tax dollars to the fund when filling out the state income tax forms. Money from the fund is available to candidates for governor in both the primary and general elections. Candidates can get privately raised contributions of \$100 or less matched by dollars from the fund up to certain limits (with an overall spending limit of \$1.5 million per election, not including \$300,000 that can be spent on fundraising itself). Several problems and issues have been raised. Some people object to the fact that contributions from outside the state are eligible to be matched, believing that state tax dollars should only be used to match contributions made from within the state. (Discussion of this issue has focused on the activities of EMILY'S LIST, a national political action committee that supports Democratic pro-choice women candidates. Members of the organization reportedly write checks to a specific candidate and send them to the organization, which delivers them to the candidate. Two separate concerns are raised by this: one, whether such "bundling" of contributions should be allowed; and two, whether the substantial number of out-of-state contributions raised this way should be matched by state tax dollars. Some people think it is no coincidence that this issue has been raised at the time a pro-choice woman, currently serving in the state Senate, has announced her candidacy for the Democratic gubernatorial nomination to oppose the incumbent Republican governor, who himself accepted out-of-state contributions for matching purposes in 1990.)

A major problem with the public financing system is that it is short of money. The Department of State points out that public support of the state campaign fund on the state income tax form has decreased from 28 percent of eligible taxpayers in

1976 to about 11 percent in 1991. (Some people attribute the lack of support in part to the indifference of tax preparers to the item on the tax form.) The department has estimated that candidates in 1994 could qualify for about \$2 million more than is available in the campaign fund. A supplemental appropriation apparently will be sought for the 1994 election, but efforts need to be made to increase public support for the fund. Increasing the amount a taxpayer can designate is one proposal.

THE CONTENT OF THE BILL:

The bill would amend the provisions in the Michigan Campaign Finance Act (MCL 169.212 et al.) dealing with the public financing of gubernatorial elections in the following ways.

-- Contributions from individuals residing outside the state would not qualify as contributions to be matched by public funds as of January 1, 1995. (This would mean the prohibition would take effect for the 1998 gubernatorial election.) Someone would be considered a resident of the state for the bill's purposes if he or she met that standard under the Michigan Election Law.

-- A qualifying contribution could only come from an "individual" rather than a "person", meaning that contributions that now qualify from organizations and groups acting jointly (such as political action committees, independent committees, or political party committees) would no longer qualify. This also would be effective January 1, 1995.

-- The amounts taxpayers could designate on the income tax form for the state campaign fund would be increased from \$2 to \$3 for individual returns and from \$4 to \$6 for joint returns.

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-- The current spending limit of \$1.5 million per election plus up to an additional \$300,000 for fundraising costs would be replaced with a unified \$1.8 million cap. The term "election" here refers to a primary or a general election.

-- Currently, any amounts remaining in the state campaign fund on December 31 immediately following a gubernatorial election reverts to the general fund. The bill would specify that only amounts in the fund in excess of \$10 million would revert to the general fund.

-- The act contains a number of thresholds expressed in percentage amounts. The bill would convert them to dollar amounts. (For example: A candidate for governor cannot receive from the state campaign fund more than 66 percent of the candidate's expenditure limit. The bill would specify a candidate could not receive more than \$990,000, which is 66 percent of the current \$1.5 million expenditure limit.)

HOUSE COMMITTEE ACTION:

The substitute reported by the House Oversight & Ethics Committee differs from the Senate-passed version in the following ways: 1) It delays the effective date of the provision that would not allow out-of-state contributions to be matched until January 1, 1995. 2) It specifies that as of that date only contributions from individuals (rather than "persons") would be matched. 3) It maintains the current spending limit per election at \$1.8 million rather than raising the limit to \$2 million. 4) It would allow the state campaign fund to build up to \$10 million before any unspent money would revert to the general fund.

FISCAL IMPLICATIONS:

The Senate Fiscal Agency in an analysis dated 5-10-93 estimated that the increase in the amounts that can be designated to the state campaign fund would generate an additional \$595,927 for tax year 1993 based on current estimates of expected check-offs.

ARGUMENTS:

For:

Raising the amount taxpayers can contribute to the state campaign fund for public financing of gubernatorial elections will help shore up the fund's

weak financial state. It is expected to fall short of the demand for public campaign funding in 1994, and needs help for future years. The provision that allows the campaign fund to retain money up after a gubernatorial campaign is over (up to \$10 million) rather than sending it back to the general fund should also help build up the fund. The bill makes several other useful amendments, such as specifying thresholds in dollar amounts rather than percentages; and eliminating the distinction between money raised to spend on campaigning and money raised to pay for fundraising.

For:

The state's tax dollars should only be used to match contributions from inside the state and only those of individual taxpayers. After all, it is the people of the state who ought to determine who is elected governor. However, the process of matching contributions has already begun for the 1994 primary election, and it would be unfair to change the rules at this point. The bill would only permit the matching of individual, in-state contributions beginning with the 1998 gubernatorial election (and beginning with contributions received after April 1, 1997). It should be noted that this would not change who can contribute to a candidate, only whose contributions would be matched by public funds.

Response:

If the legislature's view is that only in-state contributions should be matched, and only individual contributions, why not make the policy change now?

Against:

It is not entirely clear why people from other states with an interest in advancing certain points of view or certain policies should not be able to contribute to a candidate for governor and see that contribution matched by public dollars. What has been the experience with this in the past?

POSITIONS:

The Department of State has supported the amendments to current law found in the bill, although in its analysis the department recommended increasing the check-off designation from \$2 to \$4 for individual returns and from \$4 to \$8 for joint returns. (5-4-93)