



**House  
Legislative  
Analysis  
Section**

Olds Plaza Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

## CAMPAIGN FINANCE AMENDMENTS

**House Bill 4674 (Substitute H-2)  
First Analysis (3-21-96)**

**Sponsor: Rep. Frank M. Fitzgerald  
Committee: House Oversight and Ethics**

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

In January 1991, the House Republican Policy Committee Task Force on Campaign Finance Reform was organized, and in July 1991 the Task Force issued its recommendations. Some of these recommendations were enacted into law last session and earlier this session with bipartisan support. Further legislation has been introduced to implement more of the recommendations.

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

The bill would amend the Michigan Campaign Finance Act to do the following:

- \* Require PACs to report their independent expenditures [section 26]; to report independent expenditures made on behalf of a candidate or ballot question to the appropriate candidate or ballot question committee [section 33b]; and to provide annual notices to contributors about PAC expenditures [section 36];
- \* Increase late filing fees from \$25 a day to \$250 a day, and eliminate the current \$500 maximum [section 33];
- \* Require the secretary of state to transmit copies of certain campaign statements to local units of government, and require those local governments to make the campaign statements available for public inspection [section 36];
- \* Prohibit candidates who accepted money from the state campaign fund from accepting contributions from PACs [section 62].

Prohibit publicly-funded candidates from accepting PAC money. Currently, only candidates who establish a single candidate committee that submits a statement of organization indicating its intent to seek qualifying contributions or to make qualifying expenditures may receive money from the state campaign fund (which is funded by a two-dollar check-off on personal income tax returns). Candidates for governor can qualify for public funds by raising \$75,000 in contributions of \$100 or less. Both individuals and PACs can make these \$100 contributions.

The bill would prohibit candidates who file statements of organization indicating their intent to seek money from the state campaign fund from accepting contributions from independent committees or political committees.

Late filing fees. Currently, the act imposes late filing fees of \$25 a day, with a maximum of \$500. The bill would remove the \$500 maximum and would increase the amount of the late filing fee tenfold to \$250 for each business day that a statement remained unfiled.

Independent expenditures by PACs. The bill would require independent or political committees to report the total amount of independent expenditures -- as well as an itemized list of each independent expenditure -- made during the period covered by the campaign statement, and to report independent expenditures that they made for or against a candidate or a ballot question to the appropriate candidate or ballot question committee.

The information on the itemized list of expenditures would have to include:

- \* the day and amount of the independent expenditure and to whom it was made;
- \* if the independent expenditure was on behalf of a candidate, the name of the candidate and the district and office for which that independent expenditure was made;
- \* if the independent expenditure was on behalf of a ballot question, the ballot question and the purpose for which the independent expenditure was made; and
- \* the purpose of the independent expenditure, if it wasn't on behalf of either a candidate or a ballot question committee.

A political committee, independent committee, or political party committee that made an independent expenditure in support of the qualification, passage, or defeat of a ballot question, or in support of the nomination or election of a candidate for elective office, or in support of the defeat any of the candidate's opponents would be required to notify the appropriate

House Bill 4674 (3-21-96)

ballot question or candidate committee of the independent expenditure made on its behalf. Notification would have to be within 24 hours of the expenditure, and would have to include the following information:

- \* The date and time the expenditure was made;
- \* the amount of the expenditure;
- \* a brief description of the nature of the expenditure;
- \* the name and address of the person to whom the expenditure was made;
- \* the name of the committee making the expenditure; and
- \* the name of the committee on whose behalf the expenditure was made.

Annual PAC notices to contributors. The bill would require independent committees, political committees, and political party committees to provide annual notices, to all their contributors and to the secretary of state, that contained information on all of the contributions they received and all of the disbursements they made. More specifically, the annual notice would have to include the name of the committee; an itemized and cumulative list of all contributions the committee had received and all disbursements it had made during the twelve-month period covered by the notice; and any other information considered necessary by the secretary of state.

The itemized and cumulative list of disbursements would have to include:

- \* the date and amount of each disbursement;
- \* if the disbursement was made to a candidate committee, the name and political party affiliation of the candidate;
- \* if the disbursement was an independent expenditure, the candidate's name, district and office or ballot question for which the independent expenditure was made;
- \* the nature of each administrative expenditure; and
- \* the nature and explanation of all other disbursements.

Filing campaign statements. Currently, the act requires certain committees' campaign statements to be filed with the secretary of state: candidate committees of

candidates for state elective office or judicial office; ballot question committees supporting or opposing statewide ballot questions (who must also file a copy of their statement with the clerk of the most populous county in the state); and political party committees. Candidate committees of candidates for local office and ballot question committees supporting or opposing a ballot question to be voted on in a single county file their campaign statements with the county clerk of the county where the candidate lives or where the ballot question is to be voted on. However, in those cases where ballot questions or the office of school board member involve more than one county (but not the whole state), the ballot question or school board candidate's campaign statements are filed with the clerk of the county (out of the counties involved in the election) with the most voters.

The secretary of state currently transmits copies of the campaign statements of candidate committees of candidates for statewide office to the clerk of the county where the candidate lives. The secretary of state also files copies of county political committees' campaign statements with the clerk of the county where the committee operates.

The bill would delete the specific reference to "school board office" in multi-county elections, and instead make the section apply to all candidates for multi-county local elective offices. Committees supporting or opposing candidates for multi-county elective office would be required to file "a sufficient number" of copies of their campaign statements with the secretary of state, who then would transmit a copy of the statement to the county clerk of each county involved and to each local unit of government in which the office was to be voted on. Local units of government that received these campaign statements would be required to make the statements available, as soon as practicable after receiving them (but not later than the third business day after the day they were received), for public inspection and reproduction during regular business hours. Candidates who failed to file, or whose committees failed to file, enough copies of their campaign statements would be subject to a civil fine of up to \$100 for each violation.

[Note: The bill would also amend Section 67 of the act to allow the secretary of state, rather than the attorney general, to apply to the circuit court for imposition of specified sanctions on candidate committees that violated the act's spending limits. In the bill as introduced, the secretary of state would have been given prosecutorial powers. In testimony before the Committee on House Oversight and Ethics, the office of the attorney general questioned this change on

constitutional grounds. In response, except for the amendment to section 67, all of the other amendatory language that would have done this was eliminated by the committee.]

MCL 169.205 et al.

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

Fiscal information is not available.

### ***ARGUMENTS:***

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

The bill would continue the incremental implementation of campaign finance reforms begun in recent years, generally increasing disclosure of PAC funding and expenditures and making it easier for average citizens to gain access to this information. For example, the additional PAC reporting requirements for contributions and expenditures would better enable individual contributors to PACs to see where their contributions were going. In particular, requiring PACs to disclose more information about their "independent expenditures" (which, in the campaign finance act, refers to those expenditures made without the knowledge, consent, or participation of a candidate) would enable contributors to better understand the involvement of PACs in particular races. At the same time, requiring PACs to notify candidates when the PAC made an independent expenditure on the candidate's behalf would allow candidates to disavow any such expenditures of which they disapproved. At the very least, candidates no longer could claim they knew nothing about negative independent campaigning conducted on their behalf, perhaps with their implicit approval. Increasing availability of campaign statements by making them available to the general public through local units of government (in addition, as now is the case, to being available through county clerks' offices and the secretary of state) would make it easier for the average person to gain access to this information. Prohibiting candidates for governor who accepted state funding from accepting PAC contributions would mean that the qualifying contributions necessary for such funding would come from individuals and not the special interest groups represented by PACs. Finally, increasing the late filing fees would provide a monetary incentive for filing campaign statements on time, thereby making timely access to these campaign records by the public more likely.

### ***POSITIONS:***

Common Cause of Michigan supports the bill. (3-19-96)

Michigan Citizen Action supports the bill. (3-19-96)

The Michigan State Chamber of Commerce supports the bill. (3-19-96)

---

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.