



**House
Legislative
Analysis
Section**

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REGULATE POLITICAL BINGO UNDER CAMPAIGN ACT

**House Bill 4729 as enrolled
Public Act 263 of 1995
Revised Second Analysis (1-31-96)**

**Sponsor: Rep. Dan Gustafson
House Committee: House Oversight and
Ethics
Senate Committee: Government Operations**

THE APPARENT PROBLEM:

The issue of so-called political bingo -- bingo conducted by political organizations as fund raisers -- has been a politically contentious one in Michigan. Both the bingo act and the campaign finance act deal with bingo, though in different ways, and a dispute -- complicated by partisan political considerations -- has arisen regarding the application of these laws to political bingo. The dispute has taken the form of the question whether or not the cash contribution limits and the recordkeeping requirements of the campaign finance act apply to bingo games conducted as political fund raisers by political organizations.

The 1972 bingo act lists which organizations are qualified to apply for bingo licenses, and originally defined "qualified organization" to include only non-profit, bona fide religious, educational, service, senior citizens', fraternal, or veterans' organizations. The bingo act was amended in 1981, and one of the amendments added "candidate committees," as defined by and organized under the campaign finance act, to this list of qualified organizations. However, other political groups ("committees") organized under the campaign finance act (including political committees, political party committees, ballot question committees, and independent committees) also qualified for bingo licenses under the bingo act's definition of "service organization." The bingo act also has a section (section 19) that exempts people who conduct or play bingo from other laws if those laws "provide a penalty or disability upon" people's ability to conduct or play bingo. Many proponents of political bingo point to this provision in support of their position that political bingo is not subject to the campaign finance act. At the same time, some advocates of the position that the bingo act does not exempt political bingo from regulation under the campaign finance act argue that the exemption provision of the bingo act is intended only to exempt bingo from other laws that make gambling illegal, and that the cash limitations and reporting requirements do

not constitute either a penalty or disability upon people conducting political bingos.

This debate over the regulation of political bingo came to a head in 1994, when the legislature -- with a temporary Republican majority in the House of Representatives for the first time in decades -- passed legislation (Public Act 118, enrolled Senate Bill 3) that prohibited political bingo. More specifically, P.A. 118 amended the bingo act's definition of "qualified organization" to specifically exclude candidate committees, political committees, political party committees, ballot question committees, independent committees, "or any other committee as defined by, and organized" under the campaign finance act. The governor signed the enrolled bill on May 2, 1994, and the act was scheduled to take effect on April 1, 1995. However, implementation of the act has been suspended pending the outcome of one or more legal actions taken in wake of the act being signed into law.

Independently of the various legal actions pending regarding P.A. 118 of 1994, legislation has been introduced that would explicitly apply the cash contribution limitations and the reporting requirements of the campaign finance act to political bingo.

THE CONTENT OF THE BILL:

The bill would subject fundraisers conducted by political action committees to the campaign finance act's requirements. Because of the act's contribution and recordkeeping requirements, combined with the bingo act's administrative rule prohibiting the use of checks at bingo games, the bill effectively would limit cash contributions at political gaming events to no more than \$20 per person per event and would require political committees sponsoring fundraising gaming events to record the name, address, and total contributions of everyone who contributed more than \$20 per calendar year.

House Bill 4729 (1-31-96)

Currently, the Traxler-McCauley-Law-Bowman Bingo Act (Public Act 382 of 1972) exempts from the requirements of other laws "persons" (individuals or organizations) who conduct or participate in bingo, millionaire parties, or charity games if they comply with the bingo act's provisions. [Also, the current administrative rules for bingo prohibit bingo licensees or workers from accepting "a check, traveler's check, or money order in payment for a bingo game" R 432.108(7).]

The bill would amend the bingo act to explicitly say that the bingo act did not limit ("in any way") the application of the Michigan Campaign Finance Act to fundraising events conducted by or for the benefit of a committee that had filed (or that was required to file) a statement of organization under the campaign finance act. (Note: Committees required to be registered under the Campaign Finance Act include ballot question committees, candidate committees, independent committees, political committees, political party committees, "or any other committee" defined by and organized under the act. The campaign finance act [MCL 169.241] limits single cash contributions to no more than \$20; contributions of more than \$20 must be by "written instrument," such as a check. Also, under the act, the name, address, and total contributions of anyone contributing more than \$20 in a calendar year must be recorded.)

The bill is tie-barred to House Bill 5410, which would limit the number of political action committees that could be established by legislative caucuses (but which would remove contribution limits from such PACs) and which was enacted as Public Act 264 of 1995.

MCL 432.119

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill could result in increased workload costs to the Department of State. Approximately 78 existing political bingo licensees would be required to increase their reporting under campaign finance laws, though the amount of these increases cannot be determined at this time. (1-23-96)

ARGUMENTS:

For:

Public disclosure -- making public who contributes how much to a political campaign -- is the foundation of fair and open elections, for it is only when voters know who finances candidates and campaigns that they can make informed decisions at the ballot box. The campaign

finance act's cash contribution limits and financial reporting requirements make it possible to track how money flows between candidates and their political backers, and thus the likely influences on elected officials. However, there is one large loophole to the existing contribution limits and reporting requirements: political bingos.

Political bingos reportedly raised over \$11 million in 1993, of which over \$2 million was reported as net profit. And yet participants in political bingos are not reported as contributors on the campaign finance reports of the political groups sponsoring these bingos, nor are the expenses of the political bingos itemized on campaign finance reports. As a result, the general public, as well as participants in political bingo games, seldom, if ever, know how or where these dollars are spent, or even by whom they are contributed. In fact, bingo players may not even realize that by playing at political bingos they are contributing to a candidate or a political campaign, much less that they may be breaking the campaign finance law if they spend more than \$20 a night playing bingo. At the very least, people who play at political bingos should be notified that by playing they are contributing to a candidate or political party, and that they may, unknowingly, be breaking campaign finance laws.

Reportedly, bingo players spend an average of \$21 a night, so an average weekly political bingo player could contribute over \$1,000 a year -- and over \$2,000 over the course of a two-year election cycle -- for a candidate for the state House of Representatives. This is four times the amount any other individual can contribute to such candidates under the campaign finance act, and none of these contributions are reported. What is more, under the campaign finance act, no candidate or political party can accept a cash contribution of more than \$20 at a single fundraising event, and yet avid bingo players -- who are required, under the administrative rules for the bingo act, to pay cash payments only -- can easily exceed this amount several times in a single evening.

The lack of public accountability for money raised by political bingo also can lead to other kinds of abuse. For example, it is difficult, if not impossible, to detect or track the transfer of political action (PAC) money into bingo revenue funds in order to avoid the existing statutory contribution limits and reporting requirements. And although it is possible to come up with a figure for the expenses of bingo operators (by subtracting the prizes awarded and the profits made from the total receipts), it is impossible to determine whether money listed by bingo operators for "expenses" is being recycled in various ways into other campaign accounts.

The bill would close this glaring loophole in campaign finance reporting, and, once and for all, would clearly establish in statute that the cash contribution limits and reporting requirements of the campaign finance act do apply to political bingo games run by political organizations governed by the campaign finance act. What is more, the bill would do this without waiting the months or years it might take the courts to decide the issue.

Response:

While it is indeed desirable that the voters be able to find out who may be influencing elected officials (or ballot questions) through their political contributions, the bill would impose unnecessary, and unnecessarily onerous, recordkeeping on political bingos. In the first place, the kind of reporting intended to track the influence of powerful financial backers is unnecessary in the case of political bingo. Not only do powerful lobbyists tend not to participate in political bingos, it also is disingenuous to suggest that the money raised by political bingos represents millions of dollars of unreported political influence. Many, if not most, of the people who play political bingo play simply for recreation and the opportunity to socialize with friends. It is ludicrous to imply that, for example, senior citizens who play politically-sponsored bingo expect to reap political favors from the game's sponsor in return for the small amounts of money the player spends buying bingo cards.

There are other, equally effective but significantly less burdensome ways to report funds raised by political bingos than by placing such games under the campaign finance act, and these alternative methods should be thoroughly explored before moving toward regulating political bingos under the campaign finance act.

For:

Many nonprofit charitable organizations rely on their bingo operations as a major source of funds to support the programs and services they provide to their communities. They should not have to compete with political organizations for increasingly scarce private funds, especially when the political groups have many other ways of raising funds. Political bingos compete with, and take money away from, charitable fund raising, and political organizations shouldn't receive the same benefits as charitable groups. All bingo, including political bingo, falls under the "Charitable Gaming Division" of the Bureau of State Lottery, but it seems questionable, at best, to classify political organizations as charitable. Reportedly, political bingo is growing even though the total number of bingo operations is decreasing. According to one report, the number of bingo games dropped from 2,296 in 1988 to 2,186 in 1993, while during that same period the number of

political bingos increased from 61 to 78. During the same four-year period, the net profits of all bingo operations dropped by over \$1 million, while the net profits from political bingos increased by over \$1 million. Clearly, political bingos are cutting into the fund raising of charitable organizations, and at a time when shrinking government budgets place ever heavier demands on charitable organizations to provide additional services to people who need it most. The bill, while not banning political bingo outright, would favor those organizations that use their bingo revenue as it originally was meant to be used, namely, for charitable purposes.

Response:

In the first place, the bingo act allows a variety of organizations that are not strictly charitable to conduct bingo games: religious organizations, educational organizations, service organizations, senior citizens' organizations, and fraternal and veterans' organizations. Nor does the act require that bingo operations use their revenue for charitable work. And finally, given the increase in gambling in the state in recent years, especially the rise in casino gambling, it is by no means clear that the increase in political bingos (which, by one report, still constitute only about four percent of all of the bingo operations in the state and take in only about five percent of the game revenue) is causing a decrease in other bingo operations.

Secondly, however, bingo money is, arguably, the least objectionable and most equitable of all political funding sources. It comes from people who willingly pay in order to participate in a little petty gambling, and it enables campaigns and candidates to present their views to the public without having to depend on large contributions from special interest groups and major political action committees. Candidates and political parties should have access to a funding system that generates the greatest amount of money from the largest number of people, instead of having to rely for their funding on powerful individuals and special interest groups who then can influence the views of elected officials on particular public issues.

Against:

The issue of cash contribution limits is separate from the issue of disclosure, and should be considered -- and handled -- separately. Imposing the campaign finance act cash contribution limit of \$20 per fund raiser would significantly harm the viability of political bingos, even though, according to reports from a number of sources, the average bingo player spends only \$21 at each bingo. Not only is this average expenditure so close to the existing campaign finance act cash limit of \$20 as to be negligible, the only reason why the act's cash contribution limit is an issue is because of an

administrative rule under the bingo act that requires all bingo players to buy their bingo cards with cash. One obviously easy way around this artificial conflict between the bingo act rule and the campaign finance act is simply to change the bingo act rule to allow people to pay for their bingo cards with checks or credit cards. This not only would solve this "conflict," it would provide an additional way to implement recordkeeping and would be in accord with the many moves made by the secretary of state in recent years to implement the use of credit cards for financial transactions tracked by that department.

Against:

The proposed changes in regulating political bingos would, by making such bingos less likely to be able to continue, seriously affect the ability of people to become involved in the political process in an easy and enjoyable way. Political bingos involve many people in the political process who might otherwise never become politically active, and such bingos provide excellent forums for allowing both political participation and political education. People should have the option of supporting political party candidates and platforms by participating in gaming events hosted by the candidates and the party. They may well know exactly what their bingo dollars are being used to support, and simply find that a bingo game is a more entertaining (if time consuming) way of supporting candidates and political parties than simply writing out checks. And even if the players in fact don't realize that their playing bingo is helping to finance particular candidates or political parties they can be educated while they play and socialize.

Response:

It is ridiculous to argue that participating in political bingo games is any kind of meaningful participation in the political process (other than the fact the some candidates and political parties manage to raise large sums of money for themselves). If people really want to participate in the political process by contributing to candidates and parties, they can easily do so simply by writing out contribution checks. In fact, political bingos take advantage of the fact that while many people are willing to pay money to experience the thrill of petty gambling, often the same people wouldn't make direct cash contributions to political candidates and parties. Such political fund raising, it could even be argued, unfairly takes advantage of some people's weakness for gambling.

■ 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.