

# Legislative Analysis

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## PROHIBIT STATE GRANTS FOR STATE ELECTED OFFICIALS

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**House Bill 4472 as passed by the House**  
**Sponsor: Rep. Terry Brown**  
**Committee: Ethics and Elections**

### Second Analysis (4-25-07)

**BRIEF SUMMARY:** The bill would prohibit a legislator, governor, lieutenant governor, the secretary of state, or the attorney general from either directly or indirectly applying for, or accepting, state grants, and also from participating in the negotiation of a state contract with someone that has made a contribution to his or her campaign committee.

**FISCAL IMPACT:** The bill would appear to have no fiscal impact.

### **THE APPARENT PROBLEM:**

During the last legislative session, a then-state representative applied for a grant from the 21<sup>st</sup> Century Jobs Fund, on behalf of a local nonprofit organization established to serve struggling citizens in that south-central Michigan legislative district. Citing Article IV Section 10 of the Michigan Constitution of 1963, people challenged the legislator's action, noting that it created a conflict of interest. That section of the constitution states: "No member of the legislature nor any state officer shall be interested directly or indirectly in any contract with the state or any political subdivisions thereof which shall cause a substantial conflict of interest."

Those who claimed that the grant-seeking created a conflict of interest also criticized the current law, offering a hypothetical scenario: it would be possible, they argued, for a legislator to realize financial gain by exerting undue influence over development of the state budget. For example, an Appropriations subcommittee chair could insist that a particular program receive line-item funding from the General Fund, and then direct an allocation via a grant from that line-item to an organization in the local legislative district while sitting on the board or even being in its employ.

In order to avoid such conflicts of interest, legislation has been proposed to ban state elected officials from applying for state grants while in office.

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

House Bill 4472 would amend Public Act 318 of 1968, which addresses substantial conflicts of interest on the part of members of the Legislature and state officers, to prohibit a legislator, governor, lieutenant governor, the secretary of state, or the attorney general from receiving state grants, and also participating in the negotiation of a state contract with someone who has made a contribution to his or her campaign committee.

Currently under the law, no member of the Legislature or any state officer can be interested (directly or indirectly) in any contract with the state (or any political subdivision of the state) that causes a substantial conflict of interest. House Bill 4472 would retain that provision, and

add that "a member of the Legislature, the governor, the lieutenant governor, the secretary of state, or the attorney general shall not directly or indirectly apply for or accept the award of a grant funded by the state during his or her term of office, if the grant is not specifically in furtherance of duties of the legislative office."

The bill was amended on the House floor to also specify that it would be a substantial conflict of interest for a legislator, the governor, the lieutenant governor, the secretary of state, or the attorney general to participate in the negotiation of a state contract on behalf of a party that had made a contribution to his or her campaign committee.

MCL 15.302

***ARGUMENTS:***

***For:***

Discerning conflicts of interest during decision-making in the legislative and executive branches of government can be difficult, because personal financial gain is not always readily apparent. In order to heighten citizens' trust in their governing officials, conflicts of interest can become more apparent when there is transparency—that is, when state elected officials' actions are easily detected and readily known by those who elect them. This requires laws that explicitly require financial disclosure and also prohibit particular practices by defining them as clear and substantial conflicts of interest. This bill does the latter. It should be enacted into law to ensure that state elected officials do not use their influence in the state budget process to unfairly direct state funds to projects in their districts, via grants, or participate in negotiations for state grants on behalf of those who have contributed to their campaign funds.

***Against:***

This is a good bill, but it should be amended to narrow the scope of the amendment added on the House floor. That amendment prohibits a state elected official from participating in the negotiations for a state contract on behalf of those who have contributed to his or her election campaign committee. As currently written, the prohibition may be too broad. Even an extremely small contribution (a dollar or less) would trigger this prohibition. The amendment is also unclear as to how long ago the contribution restriction would apply. Would a \$5 contribution made to a candidate committee 20 years ago trigger this prohibition? Perhaps the intent of this amendment would be better advanced in a separate piece of legislation. At the very least, this bill should be amended to clarify when this prohibition should apply.

***POSITIONS:***

The Michigan Campaign Finance Network supports the bill. (3-20-07)

The Michigan State Chamber of Commerce supports the bill. (3-20-07)

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■ 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.