

Michigan Department of State  
Bureau of Elections  
[www.michigan.gov/sos](http://www.michigan.gov/sos)

# GUBERNATORIAL PUBLIC FUNDING MANUAL

## **INTRODUCTION**

Michigan's Public Funding program provides funds from the State Campaign Fund only to Gubernatorial candidates. The State Campaign Fund was established in 1976 after the U.S. Supreme Court ruled that campaign spending limits cannot be imposed on candidates unless they are using public funds. Candidates for Governor of Michigan who agree to limit their campaign spending and who raise at least \$75,000.00 in contributions of \$100.00 or less from individuals who are Michigan residents may file applications to receive money from the State Campaign Fund.

This manual is designed to explain the requirements of the Michigan Campaign Finance Act for gubernatorial candidates who desire to receive public funding. Accurate record keeping is necessary to meet the requirements of, and insure compliance with, the Act. In addition to providing an explanation of the requirements, this manual seeks to provide a suggested basis for an adequate record keeping system.

If you have questions, do not hesitate to seek assistance from the Department of State's Bureau of Elections in Lansing. Possible violations can be avoided with early advice and use of instructional materials provided by the Department. When seeking specific legal advice, always rely on the Michigan Campaign Finance Act and the Rules promulgated to administer the Act.

*For inquiries pertaining to Michigan Election Law, including ballot access, the petition process, the affidavit of identity or the post election compliance process please contact the Election Liaison Division at (517) 373-2540.*

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## **CHAPTER 1 PUBLIC FUNDING**

Michigan's Public Funding program provides funds from the State Campaign Fund only to Gubernatorial candidates. The State Campaign Fund was established in 1976 after the U.S. Supreme Court ruled that campaign spending limits cannot be imposed on candidates unless they are using public funds. Candidates for Governor of Michigan who agree to limit their campaign spending and who raise at least \$75,000.00 in contributions of \$100.00 or less from individuals who are Michigan residents may file applications to receive money from the State Campaign Fund.

A major party Gubernatorial candidate may receive up to \$990,000.00 in public funds for the Primary Election. The two major party Primary Election winners may receive a flat grant of \$1,125,000.00 each for the General Election. The Campaign Finance Act provides criteria and formulas by which minor party candidates and candidates with no party affiliation may also qualify to receive public funds in the General Election.

Candidates use public funds to pay for campaign advertising, campaign staff salaries, campaign travel, telephones, postage and other expenses permitted by the Michigan Campaign Finance Act. Public funds may not be used for personal expenses of the candidate or for any expense that does not further the nomination or election of the candidate to the office of Governor.

The Department of State's Bureau of Elections administers the Gubernatorial Public Funding Program, certifies that the candidates qualify for a specific amount of money and processes the Public Funding Applications. The Department of Treasury disburses the money to the candidate's committee after certification by the Bureau of Elections. The Department of State's Internal Security Division audits the financial records of the committees that receive money from the State Campaign Fund. The Department of State's Legal and Regulatory Services Administration investigates any alleged violations of the Campaign Finance Act and conducts hearings and assesses penalties, when necessary, to ensure compliance with the law.

A Gubernatorial candidate who intends to seek public funding must first establish a single Gubernatorial Candidate Committee that files a Statement of Organization with the Bureau of Elections indicating the intent to seek qualifying contributions for public funding. The committee must agree to adhere to the \$2 million per election expenditure limitation. The committee must also agree to keep its public and private funds in separate bank accounts and to use public funds only for "qualified campaign expenditures."

## 101 QUALIFYING CONTRIBUTIONS

For the Primary Election, the candidate must file Public Funds Applications to receive public funds that are disbursed on a 2-for-1 matching basis. In order to qualify for public funds, the Gubernatorial Candidate Committee must raise a minimum of \$75,000.00 in “qualifying contributions.” A qualifying contribution is a contribution of \$100.00 or less in a calendar year made after April 1 of the year preceding the year in which a governor is to be elected. The qualifying contribution must be from an individual who is a resident of Michigan. For the purpose of this subsection, an individual is considered to reside in this state if he or she is considered a resident of this state under the Michigan Election Law, Act No. 116 of the Public Acts of 1954, being sections 168.1 to 168.992 of the Michigan Compiled Laws.

An individual is not limited to contributing \$100.00 per year to the committee, but only \$100.00 of an individual’s contributions made in that year is matchable with public funds. (The contribution limit for an individual is \$3,400.00 for the 4-year election cycle.) The \$100.00 limit applies to contributions that were issued during the year preceding the election year (Year 1) and to those “issued” during the year of the election (Year 2). A contribution is “issued” on the date the check or money order is written, the date cash under \$20.01 is given, or the date on which the contributor authorizes a credit card charge. This date is referred to as the “issue date.”

A contribution may only be matched for the calendar year in which it was issued. Therefore, if the contributor gives the maximum contribution of \$3,400.00 to the Gubernatorial Candidate Committee in Year 1, \$100 of the contribution is matchable for Year 1, and only \$200.00 in public funds is receivable for that contributor. No portion of the contribution may be held and matched in Year 2. However, if the contributor gives \$3,300.00 in Year 1, and \$100.00 in Year 2, \$100.00 can be matched for Year 1 and \$100.00 can be matched for Year 2, resulting in a total in public funds of \$400.00 rather than \$200.00.

Contributions from Political or Independent Committees, Political Parties and unincorporated businesses, partnerships or limited liability companies may still be accepted by the committee but these contributions cannot be matched with public funds. In addition, loans to the committee and in-kind contributions cannot be matched with public funds. Funds transferred to the Gubernatorial Candidate Committee from a Candidate Committee previously held by the candidate for some other elective office are not qualifying contributions and cannot be matched with public funds.

Although a committee may receive contributions at anytime after formation of the committee, only those received after April 1 of the year preceding the year of the election may qualify for matching.

Gubernatorial candidates intending to apply for public funds must check the box in item 12 of the Statement of Organization. Contributions received before the filing date (date received by the Bureau of Elections) of an original Statement of Organization for the office of

Governor shall not be considered as qualifying contributions and therefore cannot be matched with public fund.

The Gubernatorial Candidate Committee may receive up to \$990,000.00 in public funds for the Primary Election by submitting additional Public Funding Applications after the Secretary of State has certified the first Application. In order to receive the maximum \$990,000.00 in public funds, the committee must submit Applications and adequate documentation for \$495,000.00 in qualifying contributions. The committee may not receive public funds before January 1 of the year of the election and may not submit a Public Funds Application after December 15 of the election year.

A qualifying contribution does not include:

- A subscription, loan, advance, deposit of money, in-kind contribution or expenditure, or anything else of value as prescribed in the Act.
- A contribution by an individual who resides outside of this state. (For purposes of this subsection, an individual is considered to reside in this state if he or she is considered a resident of this state under the Michigan Election Law, Act No. 116 of the Public Acts of 1954, being sections 168.1 to 168.992 of the Michigan Compiled Laws.)
- A contribution by a Political Committee, Political Party Committee, Independent Committee, Candidate Committee, Ballot Question Committee, corporation, joint stock company, non-incorporated business, labor union, domestic dependent sovereign (Indian tribe), partnership, limited liability company or limited liability partnership (unless allocated to the individual partner or individual member of the limited liability company or limited liability partnership).

The date a contribution is made is determined by the date on which the check or other written instrument was written. This date is referred to as the “issue date.” For example, a check or money order dated December 29, 2005 and received by the gubernatorial Candidate Committee on January 7, 2006 is a qualifying contribution for 2005.

Contributions from the candidate, from the candidate’s spouse, from a child residing in the candidate’s home, or from any individual (if a Michigan resident) claimed as a dependent by the candidate or the candidate’s spouse for federal income tax purposes may also be qualifying contributions. Not more than \$100.00 of an individual’s aggregate contribution may be used as a qualifying contribution in any calendar year.

## **102 PUBLIC FUNDING APPLICATIONS**

Prior to submission of the first application, the committee must provide to the Bureau a list containing the name of the candidate’s spouse and the names of other members of the candidate’s immediate family. (See “Appendix C” for immediate family definitions for gubernatorial candidates receiving public funds.)

Original Public Funding Applications may be filed over the Internet or on computer disk using the free MERTS (Michigan Electronic Reporting and Tracking System) PLUS Gubernatorial Candidate Committee software provided by the Department of State or using other software that has been approved by the Department of State.

By using the MERTS Plus Gubernatorial Candidate Committee software, the committee can select from contributions previously entered into the software to submit as qualifying contributions on a Public Funding Application. By creating the Application in the software, much of the information required for the Application is drawn from the contribution records previously keyed into the software database by the committee and can be verified as correct prior to submission of the Application to the Bureau of Elections. The committee is required to submit additional required documentation on paper before the Application can be processed.

**102-1 Information required for a Public Funding Application:**

As a part of each Public Funding Application, the committee must provide a clear photocopy of the check, money order or other written instrument for each contribution that is being submitted for matching and a copy of the deposit slip for those contributions. The bank name and account numbers should be blacked out for the privacy of the contributor. If two or more of the contributions from different contributors are given in one check (e.g., husband and wife) the contributors must provide signed documentation allocating the appropriate amount of the contribution to each contributor. Each contributor must sign either the check or the accompanying documentation. Likewise, if the contribution is a cash contribution of \$20.00 or less which has been “reduced to writing”, a copy of that writing must be provided to the Bureau of Elections prior to processing of the Application.

A Public Funding Application will not be processed until the Bureau has received the relevant documentation. The Application will not be processed without photocopies of written instruments.

The Public Funding Application consists of two forms: Page one of the Schedule of Qualifying Contributions (referred to in this manual as the Application Cover Page) and the Schedule of Qualifying Contributions.

The Cover Page of the Application contains various identifying information concerning the candidate, the committee and the Application and a verification statement. In the verification statement, the candidate and the committee treasurer certify that the contributions therein meet the criteria for qualifying contributions and that the candidate and treasurer agree to adhere to the expenditure limitations and other provisions of the Campaign Finance Act.

**Each Public Funding Application Cover Page must include:**

- Committee Campaign Finance Identification Number.

- Committee name, mailing address and telephone number.
- The candidate's county of residence.
- The Political Party affiliation of the candidate.
- The committee treasurer's name, address and telephone number.
- Name and address of depository (for public funds).
- Application Number (If Resubmission, must include both a Resubmission and original Application Number.)
- Total amount of qualifying contributions included on Application.
- Amount of public funds requested on Application.
- Verification statement with electronic signatures, or paper cover page with written signatures of Gubernatorial candidate and committee treasurer.

Page 2 of the Schedule of Qualifying Contributions consists of the alphabetized listing of the qualifying contributions for which the committee expects to receive matching funds on this Application.

The names of the contributors are alphabetized prior to the assignment of sequence numbers. Each contribution is assigned a unique sequence number. The first contribution listed on the first Application would have the sequence number of 1, after which the numbers must be assigned continuously from one Application to the next. For example, if the first Application ends with the sequence number 1925, the first contribution on Application #2 would have the sequence number of 1926. MERTS PLUS automatically assigns the sequence numbers to the contributions.

Note that a sequence number is assigned to each contribution, not to each contributor. Therefore, if there are multiple contributions from the same contributor, each contribution will have its own sequence number. Note: prior to submitting documentation to the Bureau 1) print the Application and 2) record the sequence number of each contribution on the photocopy of the written instrument.

### **103 EXPEDITED PAYMENT AGREEMENT**

In order to facilitate the disbursement of public funds from the State Campaign Fund to eligible candidates as soon as possible, the Department of State may enter into an expedited payment agreement with a Gubernatorial Candidate Committee. The agreement may be offered to the committee after the Department has certified the committee's first Public Funding Application as having a minimum of \$75,000.00 in qualifying contributions that meet all requirements for matching with public funds.

To be considered for an expedited payment agreement, the Gubernatorial Candidate Committee must comply with the following conditions:

- The committee must file its Public Funding Application by disk or over the Internet using software provided by the Department of State or privately obtained software that meets the file layout criteria approved by the state.
- The committee's first Application must be certified by the Department of State with no more than 10% error rate.

Under the agreement, the Department of State agrees to conduct a preliminary review of an electronically filed Public Funds Application within 3 business days after receipt of the Application and certify to the Department of Treasury that 90% of the amount requested by the committee may be paid to the Gubernatorial Candidate Committee.

After an in depth review of the Application, the Department determines whether additional funds should be certified for the Application or if the amount paid was in excess of the qualifying amount. If the amount paid was in excess, the committee must refund the excess or the Department has the option of making an adjustment on the certification of a subsequent Application.

The agreement does not apply to the following:

- Applications filed on paper
- Applications containing less than \$5,000.00 in qualifying contributions
- Resubmission applications

The percentage of payment authorized in the agreement may be changed if the committee's error rate exceeds 10% on two or more applications. The agreement is in effect for Public Funding Applications filed by the committee from the date the agreement is signed by the gubernatorial candidate, the committee treasurer and an authorized representative of the Department of State until 5:00 on the day of the primary election.

A copy of the Agreement Regarding Expedited Application For Payment From The State Campaign Fund may be found in Appendix D of this manual.

## **104 INELIGIBLE REASON CODES**

The Bureau of Elections may determine that an individual contribution does not qualify for matching with public funds for several reasons. Many times this is due to errors that may or may not be correctable. Contributions that are not matched for correctable errors may be submitted again on a Resubmission with corrections made or with additional documentation provided to the Bureau. A Resubmission consists only of contributions for which corrections have been made or additional documentation is being provided by the committee

for reconsideration by the Bureau. Once a qualifying contribution has been submitted on an Application, it must never be listed on a subsequent Application, but only on a Resubmission.

Following are Ineligible Reason Codes with which the Bureau identifies contributions that are not matched. The codes indicate why a particular contribution was not matched with public funds. A coded list of ineligible contributions is included with the certification letter sent by the Bureau to the committee after review of each Application.



- 09 CONTRIBUTION WOULD CAUSE CONTRIBUTOR TO EXCEED MAXIMUM QUALIFYING AMOUNT FOR YEAR OF ISSUE:** If this contribution is matched for the amount indicated, it would cause the contributor to exceed the Year 1 or Year 2 maximum amount of \$100.00.
- 10 CONTRIBUTION APPEARS TO HAVE BEEN PREVIOUSLY SUBMITTED:** Although this contribution may have a separate sequence number, this appears to be the same contribution as previously submitted. Or, the committee may be trying to match a contribution on a resubmission that was previously matched on an application.
- 11 COPY OF WRITTEN INSTRUMENT WAS NOT ENCLOSED:** Copies of written instruments are required to verify the contributions listed on the Application.
- 12 CONTRIBUTION DOES NOT APPEAR TO BE FROM AN INDIVIDUAL MICHIGAN RESIDENT:** Qualifying contributions must be from individuals who are Michigan residents as defined by Michigan Election Law.
- 13 TOTAL CONTRIBUTION APPEARS TO EXCEED ELECTION CYCLE CONTRIBUTION LIMITS:** Excess contributions are prohibited and therefore no portion of an excess contribution is matchable until reduced to the allowable limit.
- 14 QUALIFYING CONTRIBUTION AMOUNT EXCEEDS CONTRIBUTION AMOUNT:** The amount shown on the Application as the qualifying amount can never exceed the total amount of the contribution.
- 15 CONTRIBUTION IS SHOWN AS BEING FROM TWO OR MORE PERSONS:** Each contribution must be listed separately in alpha order, as required by Section 63(1).
- 16 JOINT CONTRIBUTION FOR WHICH THERE IS NO ALLOCATION STATEMENT:** A joint contribution must provide an allocation to both contributors. Each contributor can sign the check or sign an allocation statement. (Lukens 10-10-1978.) A separate entry is made for each contributor.
- 17 SIGNATURE OF CONTRIBUTOR ILLEGIBLE OR MISSING:** The signing of the written instrument reflects the intent of the contributor to make the contribution. (Lukens 10-10-1978.)
- 18 PAYEE NAME MISSING FROM WRITTEN INSTRUMENT OR UNACCEPTABLE FOR MATCHING :** The contributor must indicate the name of the Gubernatorial Candidate Committee receiving the contribution on the

written instrument or on accompanying documentation. This is necessary because the candidate may still have an undissolved committee for another elective office and a contribution to any committee other than the candidate's Gubernatorial Candidate Committee is not matchable with public funds.

**19 TOTAL CONTRIBUTION AMOUNTS ON ALLOCATION STATEMENT, APPLICATION AND WRITTEN INSTRUMENTS ARE INCONSISTENT:**

Based on the review of all documents submitted, the amount that appears on the application is not consistent with support documentation, (e.g., check amount is \$250.00, allocation statement amount is \$150.00 each from two contributors or the total amount shown on the allocation is \$500.00).

**20 WRITTEN INSTRUMENT APPEARS TO BE SIGNED BY PERSON OTHER THAN CONTRIBUTOR LISTED ON APPLICATION:**

The application must reflect the name of the actual contributor. (If John Doe signed the written instrument, Sam Harris' name should not be reported on the Application as the contributor.)

**21 ALLOCATION INDICATED ON APPLICATION DIFFERS FROM THAT INDICATED ON ALLOCATION STATEMENT:**

The amounts allocated on the allocation statement signed by the contributors do not equal the amount indicated on the Application; (e.g., the allocation statement indicates that a check for \$200.00 is to be 50/50, however, the Application reflects \$75/\$125).

**22 RECEIPT DATE OF WRITTEN INSTRUMENT IS PRIOR TO COMMITTEE FILING DATE AS REFLECTED ON STATEMENT OF ORGANIZATION:**

Contributions received before the filing of a Statement of Organization for the office of Governor shall not be considered as qualifying contributions. Section 62(2).

**23 COPY OF WRITTEN INSTRUMENT IS ILLEGIBLE OR UNACCEPTABLE.**

Written instrument is unreadable due to quality of photocopy or penmanship, etc.

**24 DOCUMENTATION IS INCONSISTENT WITH WRITTEN INSTRUMENT OR APPLICATION.**

The information on the documentation differs from the information provided on the Application or on the written instrument.

**25 APPEARS TO BE CASH CONTRIBUTION OVER \$20.00.**

**26 COPY OF POWER OF ATTORNEY MUST BE PROVIDED AND MUST INCLUDE AUTHORITY TO MAKE POLITICAL CONTRIBUTIONS:**

If the written instrument indicates that the signatory is signing under a power of

attorney for the indicated contributor, a copy of the power of attorney must be included in the documentation with specific authority indicated.

**REFER TO THE MERTS PLUS USER MANUAL FOR THE GUBERNATORIAL CANDIDATE COMMITTEE INSTRUCTIONS ON CREATION AND SUBMISSION OF PUBLIC FUNDING APPLICATIONS.**

## **105 THE RESUBMISSION**

If contributions submitted on an Application are rejected for errors that are correctable, the contributions may be resubmitted with additional documentation or corrections. A Resubmission is filed on a paper Application form **only** and cannot be filed over the Internet or on disk. The Resubmission may be created using the MERTS PLUS software and is then printed out and the paper copy is filed along with the additional documentation at the Bureau of Elections' office in Lansing.

The cover page contains similar information as the original Public Funding Application, except that Item 8b is checked, indicating that the document is a Resubmission of an Application. Do not mix contributions from different Applications on one Resubmission. A separate Resubmission must be filed for each Application that has contributions to be corrected. The sequence number of the contribution remains the same as it was on the original Application.

Joint contribution errors have caused confusion in the past. This error can be corrected in one of two ways.

1. The contribution can be resubmitted as being from one person only (the signer of the written instrument).
2. If the allocation document is available, the contribution can be allocated to each individual. However, in this case, list only one of the contributors on the Resubmission with the portion of the contribution that's being allocated to that person. The other contributor(s) would be included on a subsequent Application with their portion of the contribution.

A copy of the allocation statement and the written instrument must be included with both the Resubmission and the subsequent Application.



MICHIGAN DEPARTMENT OF STATE  
Bureau of Elections

**COVER PAGE**

**SCHEDULE OF QUALIFYING CONTRIBUTIONS  
FOR PUBLIC FUNDING APPLICATION  
GUBERNATORIAL CANDIDATE COMMITTEE**

1. Committee I.D. Number \_\_\_\_\_ - \_\_\_\_\_

2. Committee Name \_\_\_\_\_

3. Committee Mailing Address  Area Code & Phone # ( ) - _____	4. County of Residence	5. Political Party
	6. Treasurer's Name & Mailing Address  Area Code & Phone # ( ) - _____	7. Name & Mailing Address of Public Funds Depository

**For Official Use Only**

8a. <input type="checkbox"/> Application No ____ 8b. <input type="checkbox"/> Resubmission No. ____	Amount of Qualifying Contributions Recorded	Amount of Public Funds Applied For	Qualified to Receive	Received from Treasury	Balance Due
9a. For this election, but prior to this application					
9b. For this application only					
9c. Cumulative amount for this election (a plus b)					

**10. VERIFICATION STATEMENT**

I verify that the committee received an amount of qualifying contributions equal to or greater than 5% of the designated spending limit and that the full name and address of each individual making a qualified contribution along with the amount contributed, the date the contribution was issued by the contributor and the date the contribution was received by the committee has been recorded.

I certify that all qualifying contributions were received in the form of a written instrument or were cash contributions of \$20.00 or less, accompanied by a written document containing the names of the payor, payee, the amount, the purpose of the contribution and the signature of the contributor. I certify that the total qualifying contribution from each contributor for a calendar year did not exceed \$100.00.

I agree to adhere to the expenditure limitations as stated in the Michigan Campaign Finance Act and that public funds received will not be commingled with other funds of the committee and that a separate account will be established for the depositing of public funds received.

I certify that all reasonable diligence was used in the preparation of this document and the attached Schedule of Qualifying Contributions, and the contents are true, accurate and complete to the best of my knowledge.

Candidate:	_____	_____	Date	_____
	Type or Print Name	Signature		Mo Day Yr
Treasurer	_____	_____	Date:	_____
	Type or Print Name	Signature		Mo Day Yr





## 106 THE PUBLIC FUNDS STATUS REPORT

The committee is required to file a Public Funds Status Report if unexpended public funds have not been returned to the State within 60 days after the election for which they were received. The single exception to this is that public funds are considered “expended” and may be retained past that date if the committee documents that it owes debts that qualify to be repaid with public funds.

In order to retain public funds past the 60-day limit, the committee must obtain the prior written approval of the Bureau of Elections by providing adequate documentation as to the status of the public funds account and of the debts or obligations owed. This includes copies of the invoices for the debts that must have been incurred before the election.

The committee cannot receive public funds for the primary election after the primary election has passed except to the extent that debts or obligations subject to repayment with public funds are still owed for goods or services used in the primary election. Adequate documentation is required.

The Public Funds Status Report is designed to provide this documentation in all cases. The information required on the report is in addition to, not in lieu of, the information reported on Campaign Statements. All of the information on the Public Funds Status Report must also be shown on a subsequent Campaign Statement. The Public Funds Status Report must be filed every 30-calendar days as long as public funds are retained by the committee, beginning on the 60<sup>th</sup> day following the election.

The Public Funds Status Report will always cover a specific period of time. It begins one day after the closing date of the last Campaign Statement filed or one day after the most recent Public Funds Status Report. The beginning balance of the account (line 10) will be either of the following:

- The ending balance of the last Campaign Statement filed (line 17 of the Public Funds Column, Part IV, Balance Statement on the Summary Pages), or
- The ending balance of the last Public Funds Status Report (line 14), whichever is later.

The amount owed at the beginning of the period, page 2 of the Status Report (second column, lower half of the page) must be the same as one of the following:

- Line 10 of the last Campaign Statement, Part III of the Summary Pages, or
- the Ending Balance Column on the most recent Public Funds Status Report.

It is possible that a committee involved in both the Primary and General elections will be simultaneously retaining public funds from both elections past the 60-day limit. In

this case, a separate Public Funds Status Report for each public funds account is required every 30 days.

The committee must report, in the Receipts and Expenditures sections of the Report, all transactions that occurred in the public funds account during the coverage period. However, only the date of the transaction, the name of the person the public funds were received from or paid to, and the amount of the transaction are required. The remaining detail regarding the transaction must be included in the Campaign Statement covering that period.

The committee must report, on page 2 of the Report, outstanding debts and obligations subject to repayment with public funds. These debts must all have been reported on the Post-Election Campaign Statement as subject to the \$2 million expenditure limitation. Included in the information reported is:

- The date the debt was incurred,
- Original amount of the debt,
- Name of the person to whom the debt is owed,
- The balance owed at the beginning of the period covered by the report.

If the category of the debt has been change since the debt was originally reported, indicate the category in which the debt was first reported. Report the total amounts paid on the debt from public funds and from private funds during the period covered by the report. The “Ending Balance” is the “Beginning Balance this period” minus the “Amount paid this period from Public Funds” and “Amount paid this period from Private Funds.” If, on any Public Funds Status Report filed after the 60-day limit, the ending balance of debt owed is less than the balance of public funds on hand (line 14), the difference must be returned to the State Campaign Fund.

There are four possible times when the Public Funding Status Report must be filed, each having its own closing and filing dates. These are discussed more fully below.

#### **106-1**     Post-Primary Application Report

The committee may receive public funds after the Primary Election through December 31 following the election if debts remain that qualify to be paid with public funds if the committee has not reached the maximum in public funds receipts. The last Public Funds Application must be received by the Bureau of Elections no later than December 15 of the election year to allow time for processing.

The committee may receive public funds at this time only to the extent that the unpaid debts and obligations that are subject to repayment with public funds exceed the on-hand cash balance of the public funds account. Therefore, a Public Funds Status Report must be submitted with any Post-Primary Application for public funds. The committee must check the “Post-Primary Application” box in Item 1 of the report form and indicate the number of the Application with which it is being submitted. All sections of the form must be completed and it must be accompanied by invoices for the debts listed as outstanding.

**106-2**      60-Day Public Funds Status Report

If the committee has not filed a Termination of Account Report within 60 days after the election for which the public funds were received, the committee must file the 60-Day Status Report as a condition of retaining public funds. The closing date of the period covered is 60 days after the election, and the Report must be filed within 10 days thereafter.

**106-3**      Monthly Public Funds Status Report

After the 60 day limit, the committee must file monthly reports as long as it retains public funds. The closing date of the period covered by the Report is the last day of the month and it must be filed by the 10<sup>th</sup> day of the following month.

**106-4**      Termination of Public Funds Account Report

The Termination of Public Funds Account Report must be filed when the committee closes its public funds account, unless the account is closed prior to the Post-Election Campaign Statement for the election for which the public funds were received. The closing date of the Report will be the date the account is closed.

Prior to the 60-day limit, the Termination of Account Report may be filed at any time after the closing of the account. However, after the 60-day limit, the Report must be filed within 10 days after the closing of the account. Any debts subject to payment with public funds that were reported on the previous Public Funds Status Report should have zero balances at this time or the committee should indicate that the remaining balance will be paid with private funds. Any balance of public funds shown on line 14 should be returned to the State with the Report. The committee may combine the Termination of Account Report with either the 60-Day Report or the monthly Report if the account is closed at the time the Report is due.

## **107 RETURN OF MONEY TO THE STATE CAMPAIGN FUND**

The Gubernatorial Candidate Committee must return to the State Campaign Fund all public funds remaining after payment of debt that was subject to payment with public funds. Any interest earned on the public funds bank accounts must also be returned to the state.

If a Gubernatorial Candidate Committee refunds a contribution to a contributor, or if the committee's bank determines that a contributor's check or other written instrument is invalid due to insufficient funds subsequent to the contribution being matched with public funds, the committee must refund to the State Campaign Fund all public funds received for that contribution.

When money is being returned the State Campaign Fund, the committee should remit a check to the Bureau of Elections, payable to "State of Michigan", accompanied by a written explanation of the reason for the return. If the refund is because of the refund or invalidation of a matched contribution, the committee must include the name and address of the contributor, the date of the original receipt, contribution sequence number and Public Funds Application Number on which the contribution was submitted for public funds.

## **108 POST-ELECTION AUDIT**

During the year of the gubernatorial election, the Department of State's Internal Security Division, with the assistance of the Bureau of Elections, will conduct a complete audit of the records of all Gubernatorial Candidate Committees that received public funding. The committee will be contacted to schedule the audit dates (see sample Post-Audit letter).

For the audit, the committee must present for review all records documenting information that was required to be reported on Campaign Statements, including bank statements, checkbooks, canceled checks, wire transfers, internet or other electronic contributions or transactions, contracts, payroll records, vendor invoices, expense vouchers, receipts and other supporting documentation required by the Department for all private funds and public funds accounts.

The purpose of the audit is to verify compliance by the committee with the Campaign Finance Act, especially in the areas of record keeping, reporting requirements, use of public funds for qualified expenditures, proper segregation of funds, use of public funds for a subsequent election and return of unexpended public funds to the state (see Post Election Audit Objectives).

**108-1**            Sample Post-Election Audit Letter

Dear Committee,

The Department of State will be conducting audits for gubernatorial Candidate Committee's public and private funds accounts if the candidate received public funds for the 2006 Primary and/or General Elections.

We are requesting that you make available to the Department of State all of the following records regarding all accounts for the 2006 Primary and General Elections from \_\_\_\_\_(date committee received the first contribution), through \_\_\_\_\_(the date the committee filed the \_\_\_\_\_(month) Public Funding Status Report which reflects a balance of \_\_\_\_\_in the public funding account). Include all canceled checks, check registers, bank statements, wire transfers, Internet or other electronic contributions or transactions, contracts, payroll records, invoices, receipt and expense vouchers, receipts, independent contractor information and all other supporting documentation required by the Department for your private funds and public funds account. Please ensure that your records are complete as this will be a detailed audit.

Your records should be delivered to the Bureau of Elections, 1<sup>st</sup> floor of the Treasury Building, 430 W. Allegan Street, Lansing, Michigan 48918 by the morning of \_\_\_\_\_(Month) \_\_\_\_\_(day), \_\_\_\_\_(Year). Your records will be returned to you upon completion of the audit. Your staff does not have to be physically present while the audit is conducted; however, we do request that the treasurer or some other designated person serve as a contact person if the auditors have questions or require additional information from the committee. Your contact with the auditors will be through Crystal Thomas, Disclosure Analyst, in the Bureau of Elections.

Please note that until you report a zero balance in the Public Funding account, a Public Funding Status Report is required to be filed every 30 days with the Bureau of Elections. (A Public Funding Status Report will be due (date).)

Please contact Crystal Thomas at (517) 335-2788 if you have any questions.

Sincerely,

Evelyn Quiroga, Director  
Disclosure Data Division

**108-2**      Post-Election Audit Objectives/Scope

The Michigan Department of State will complete an audit of the records of all Gubernatorial Candidate Committees that receive public funding. The purpose of the audit is to review the candidate's Campaign Finance Statements to provide reasonable assurance of the compliance with the requirements of the Michigan Campaign Finance Act of 1976, PA 388, as amended. The audit will include activities recorded in both the private and public fund accounts.

The audit will have the following objectives:

1. To review the Candidate Committee's Campaign Finance Statements for accuracy (i.e., verify the preparation of applicable forms in compliance with reporting requirements and for mathematical correctness).
2. To verify the receipt/propriety of Public Funds paid to the Committee.
3. To verify the receipt/propriety of all Private Funds reported by the Committee.
4. To review and verify the propriety of expenditures made by the Committee (including the applicable limit on spending of \$2 million) and determine the accuracy of all disbursements reported as exempt expenditures.

The auditors plan to review the reports submitted to the Michigan Department of State, Bureau of Elections together with the underlying banking records, supporting invoices, payroll records, contracts, and records of contributions which must be maintained and supplied by each Committee when requested by the auditors. It is the department's intent to proceed with audit procedures throughout the campaign process and issue a final report within the year following the gubernatorial election.

**Because of the audit requirements, the Bureau requests that gubernatorial Candidate Committees establish checking or draft accounts that provide canceled checks. In addition, the Bureau highly recommends that each Committee establish a system to reconcile their bank statements to their Campaign Finance Statements on a monthly basis.**



## PUBLIC FUNDS STATUS REPORT

Committee ID# \_\_\_\_\_ Committee Name \_\_\_\_\_

Committee Address:	Treasurer's Name and Address:
--------------------	-------------------------------

1. Type of Report:

<input type="checkbox"/> Post-Primary Application # _____	<input type="checkbox"/> Monthly Public Funds Status Report for the Month of _____
<input type="checkbox"/> 60 Day Public Funds Status Report	<input type="checkbox"/> Termination of Public Funds Account. (If this box is checked, a check for the balance on line 14, if any, must be enclosed.)

2. Account:	3. Last Campaign Statement filed: _____
<input type="checkbox"/> Primary Election Public Funds	Last Public Funding Status Report Filed: _____
<input type="checkbox"/> Election General Public Funds	Period covered by this Report: From _____ To _____

**4. RECEIPTS INTO PUBLIC FUNDS ACCOUNT SINCE LAST REPORT** (Attach extra sheets if necessary.)

DATE	FROM	AMOUNT
<b>5. TOTAL</b>		

**6. EXPENDITURES FROM PUBLIC FUNDS ACCOUNT SINCE LAST REPORT** ( Attach extra sheets if necessary.  
Check box 7 if expenditure is payment on a debt **not** previously reported.)

DATE	TO	7. AMOUNT
<b>8. TOTAL</b>		

**9. BALANCE STATEMENT**

10. Beginning Balance (Ending Balance from last Campaign Statement or Last Public Funds Status Report )	\$ _____
11. Total Receipts (from item 5)	\$ _____
12. Subtotal (line 10 plus line 11)	\$ _____
13. Total Expenditures (from item 8)	\$ _____
14. Ending Balance (line 12 minus line 13)	\$ _____

I certify that this document is true, accurate and complete, to the best of my knowledge and belief.

Candidate Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Treasurer Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

**PUBLIC FUNDS STATUS REPORT (Page 2)**

<b>DEBTS &amp; OBLIGATIONS SUBJECT TO PAYMENT WITH PUBLIC FUNDS</b> (Attach extra sheet if necessary)						
Debt #	Date Incurred	Campaign Statement first reported	Original Amount	Original Category	Check if new debt	Owed to:
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total						

(Continuation)

Debt #	Beginning Balance this period	Amount paid this period from Public Funds	Amount paid this period from Private Funds	Ending Balance
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
Total			Total	

## Public Funds Status Report

### Instructions

- Enter committee's campaign finance identification number and name, address, and treasurer's name and address.
- Check a box to indicate the type of Report being filed.
- Check box to indicate whether the Report is related to Primary Election public funds or General Election public funds.
- Indicate the last Campaign Statement filed: Pre-Primary = P1; Post-Primary = P2; Pre-General = G1; Post-General = G2. If a previous Public Funding Status Report was filed, indicate the date on which it was filed. Indicate the period covered by the current report.
- List all money deposited into the public funds account since the last Public Funds Status Report or Campaign Statement (whichever was most recent) and total.
- List all expenditures made from the public funds account since the last Public Funds Status Report or Campaign Statement (whichever was most recent) and total.
- Complete the Balance Statement portion of the form.
- On page 2, list information regarding each debt or obligation that the committee intends to pay with the requested public funds, including:
  - a) the date the debt was incurred;
  - b) the Campaign Statement on which the debt was first reported;
  - c) the original amount of the debt;
  - d) the original category (subject to limitation, exempt Rule 39a, or exempt miscellaneous);
  - e) a checkmark in the next column if the debt has not been reported on a previous Campaign Statement of Public Funds Status Report (debt must have been incurred before the Primary Election);
  - f) the name of the vendor or person to whom the debt is owed;
  - g) the balance at the beginning of the period covered by this Report;
  - h) the amount, if any, paid on the debt from public funds during the period covered by this Report;
  - i) the amount, if any, paid on the debt from private funds during the period covered by this Report;
  - j) the outstanding balance of the debt at the end of the period covered by this Report.

Copies of vendor invoices must be attached for all debts listed on page 2 of the Report. If, on any Report filed after the 60 day limit, the ending balance of debt owed is less than the balance of public funds on-hand (line 14), the difference must be returned to the State Campaign Fund.

The report must be signed by both the candidate and the committee treasurer. The information required on the Public Funds Status Report is in addition to, not in lieu of, the information reported on Campaign Statements. All of the information on the Report must also be shown in more detailed form on a subsequent Campaign Statement.

**CHAPTER 2**  
**DETAILED RECORD KEEPING**

Accurate and complete record keeping is necessary for compliance with the Michigan Campaign Finance Act. The treasurer of the Gubernatorial Candidate committee is responsible for keeping records of all accounts, contributions, expenditures, invoices, contracts, etc. to substantiate information reported on Campaign Statements and information necessary for preparation of Public Funding Applications as well as the Post Election Audit. Committee records must be preserved for 5 years and shall be made available for inspection as authorized by the Secretary of State.

**Contributions Limits for Candidates Receiving Public Funds**

(MCL 169.269). A person shall not make or accept a contribution to a gubernatorial Candidate Committee which exceed contribution limitations. The contribution limitations are per election cycle. An election cycle, for a gubernatorial election, means the 4-year period beginning the day following the last general election in which the office of governor appeared on the ballot and ending on the day of the next general election in which the office appears on the ballot.

The contribution limitations for a gubernatorial Candidate Committee receiving public funds are as follows:

Individual or Political Committee	\$ 3,400.00
Independent/Caucus Committee	\$ 34,000.00
State Central Political Party	\$750,000.00
Congressional District/County Political Party Committee	\$ 30,000.00
*Immediate Family	\$ 50,000.00

These limits apply to the cumulative contributions made during the 4-year election cycle. The limits apply to the fair market value of in-kind contributions (goods or services) and endorsements or guarantees of loans to the committee, as well as contributions of money. A loan from any source other than a financial institution is considered a contribution until the loan is repaid.

\*Section 69(6) establishes the contribution limit for contributions from the gubernatorial candidate, the candidate for lieutenant governor and members of both candidates' immediate families. **If public funds are accepted the limit on contributions from the candidates and their combined families is \$50,000.00 for the election cycle.** For purposes of this limit, "immediate family" is defined in Section 69(6) as "a spouse, parent, brother, sister, son or daughter." To determine this limit, the contributions made by the gubernatorial candidate and his or her immediate family during the 4-year election cycle are added to contributions made by the lieutenant governor candidate and his or her immediate family after the lieutenant governor

candidate is nominated at the convention. Each candidate must provide the Bureau of Elections with a list of all individuals who meet the definition of “immediate family.”

## 201 COMMITTEE ACCOUNTS

A committee is normally limited to one account as its official depository. However, for gubernatorial Candidate Committees receiving public funds, the account established when the committee is formed is only the first of what may be several accounts. The initial account will be used for the deposit of contributions and other receipts from private sources for the Primary Election. Once the committee receives its first payment of public funds from the State Campaign Fund, a *second account* must be established. Public and private funds may not be commingled in the same account.

A candidate who wins the Primary Election and receives public funds for the General Election must establish a *new account* for the deposit of these funds. Like the prohibition upon the commingling of public and private funds, public funds received for one election may not be commingled with public funds received for a subsequent election. In addition, the committee must establish separate records for receipts and expenditures of private funds for the General Election. Although the committee will have only *one* private funds bank account, it will maintain *two separate “accounts” on paper*; one private funds account for the Primary Election and one private funds account for the General Election.

Funds may not be placed in stocks and bonds, mutual funds, money market accounts or land contracts. Funds may be deposited into checking or draft accounts, savings or share accounts or certificates of deposit, only after having been deposited in the committee’s official depository. Public funds may also be transferred to an interest-bearing account (bearing in mind the prohibition upon commingling of public and private funds). Any interest earned from the public account may not be spent and must be returned to the State’s Campaign Fund. If the interest bearing account is located in a different bank, savings and loan association or credit union than the official depository, the Statement of Organization should be amended to report the location as a secondary depository. Secondary depositories may not be used to make expenditures. A secondary depository is established solely for the purpose of depositing contributions which must be immediately transferred to the committee’s official depository. **Because of the stringent controls that must be maintained on receipts, we recommend that the committee establish a secondary depository only for the deposit of the proceeds from joint fundraisers.**

A gubernatorial Candidate Committee that accepts public funds must establish the following bank accounts:

Candidates involved in the:	Will Have...	And...
Primary Election Only	1 Private Funds Bank Account	1 Public Funds Bank Account
General Election Only	1 Private Funds Bank Account	1 Public Funds Bank Account
Primary and General Elections	1 Private Funds Bank Account (Primary & General)	2 Public Funds Bank Accounts (1 Primary and 1 General)

**“Private funds”** are contributions received from individuals, committees and unincorporated businesses. The private funds contribution records continue straight through the Primary and General Elections as they are subject to contribution limits that are on an “election cycle” basis. For a gubernatorial Candidate Committee, an “election cycle” begins the day following the last general election where the office of governor appeared on the ballot and ends on the day of the next general election where the office of governor appears on the ballot.

The record of expenditures of private funds must be kept separate by election although the expenditures for both the primary and the general elections are made from the same account. Although the committee is only permitted to have one private funds account, it must keep separate expenditure records for each election because of the expenditure limitations.

In effect, the committee must create on paper two separate private funds “accounts”, although it will have only one actual private funds bank account. While private funds received for the Primary Election may be used for the General Election, and vice versa, this will constitute a “transfer between the two accounts”; and must be recorded, and reported, as such in the committee’s records. For example, immediately after the Primary Election, the committee will undoubtedly wish to use all or a portion of the on-hand Primary Election private funds for General Election expenditures. The committee would therefore have to “transfer” funds from its Primary Election private funds “account” to its General Election private funds “account.” This transfer would be reported as an “exempt miscellaneous” expenditure on the Primary Election private funds Schedule 1.1B and as an Itemized Other Receipt, on the General Election private funds Schedule 1.2A.

**“Public funds”** are funds the committee receives from the State Campaign Fund after a Public Funding Application has been submitted by the committee and approved by the Bureau of Elections. Public funds received for the Primary Election can only be spent on goods and services for the Primary Election. Any leftover Primary Election public funds must be returned to the State Campaign Fund and may not be used for the General Election. Public funds received for the General Election may not be used to make expenditures for the Primary Election and therefore, cannot be used to pay unpaid debt from the Primary Election.

The \$2 million expenditure limitation is “per election.” Therefore, the committee is required to have a public funds bank account for the Primary Election and a separate public funds bank account for the General Election.

## **202 RECEIPTS**

Receipts will fall into one of three categories: contributions of money, in-kind contributions of goods or services, and other receipts. These are addressed separately below:

### **202-1 Contributions of Money**

For the gubernatorial Candidate Committee seeking public funding, there are two sets of requirements with which the committee must be concerned: the information required for

Campaign Statements and the information required for Public Funding Applications. Although the requirements overlap, they are not entirely the same.

The record keeping system established by a committee must be meticulous. A contribution received for the Primary Election will be subject to the contribution limitation for the election cycle as well as to the total permissible qualifying contributions for the calendar year in which it was issued. When entering information regarding a contribution for purposes of preparing a Campaign Statement, it will be important to also enter additional information at that time that is necessary for a Public Funding Application, such as the issue date of a written instrument along with the receipt date.

Some types of contributions will have an impact on other recording and reporting requirements of the committee. For example, in-kind contributions, while not match-able for public funding purposes, count toward the contributor's contribution limits, and except for loan guarantees, in-kind contributions also apply to the expenditure limitation. A loan from a person, other than a financial institution, is a contribution and will also affect the committee's outstanding indebtedness. Repayment of the loan will affect the committee's expenditure records, reduce the indebtedness, and reduce the cumulative contributions for that contributor. Such a repayment will not count toward the committee's \$2 million expenditure limitation.

Following are some guidelines for adequate record keeping in compliance with the Campaign Finance Act. Information that must be recorded for all contributions received by the committee:

- a. **Contributor's Name.** This is required to be reported for all contributors, regardless of the dollar amount.
- b. **Contributor's Address.** Include street address or mailing address. Indicate "new address" when a contributor's address has changed from that previously submitted on a Public Funding Application.
- c. **Contributor's Occupation, Employer Name and Principal Place of Business.** The contributor's occupation, the name of the business or other entity for which the contributor works and the address of the place where the contributor works is required on the Campaign Statement when a contributor's cumulative contributions to a committee for an election cycle exceed \$100.00.
- d. **Date of Receipt.** A contribution is received by a committee on the date that the monetary funds, written instrument, or in-kind contribution of goods from the contributor have come into the physical possession of the candidate, committee treasurer, designated record keeper or other person acting as an agent of the committee. The receipt date is not the date the check or other written instrument was written or the date the contribution was deposited into the committee's bank account. An in-kind contribution of services is considered to be received on the date the candidate, committee treasurer, designated record keeper or other person acting as an

agent of the committee receives verbal or written notice from the contributor that the contribution has, in fact, been made. The date of receipt must be reported for all contributions, regardless of the amount.

- e. **Date of Issue.** The date of issue is the date the check, money order or other written instrument was written, or the date a credit card contribution or other electronic means of transferring funds was authorized by the contributor. This date is required for a Public Funding Application as it determines for which year a qualifying contribution is matchable.
- f. **Amount of Contribution.** The amount of the contribution must be reported for all contributions regardless of amount.
- g. **Cumulative Amount Contributed for Election Cycle.** The contribution limit is based on the cumulative contributions during the election cycle. Therefore, the cumulative contributions for an election cycle must be reported for each contributor on Campaign Statements. The committee must keep careful records to insure that no contributor's cumulative contributions exceed the contribution limit for an election cycle.

For Public Funding purposes, "qualifying contributions" accumulate both on a calendar year basis (based on the year the contribution is "issued," and on an election cycle basis). Regardless of the total amount contributed by a person, only \$100.00 given in a calendar year may be matched.

## **202-2 Documentation Requirements**

Committees may provide forms for contributors to complete and return with their contributions so that the committee will have available all of the information necessary to fulfill the Act's requirements for Campaign Statements and Public Funding Applications. The committee is free to design similar forms or to photo copy the forms provided in this manual.

- Solicitation Form #1
  - a. **General Information - All Contributors.** The first part of Solicitation Form #1 asks the contributor to provide the information necessary for proper record keeping and reporting. Although the committee is not required to report the contributor's occupation, employer and business address until the contributor has given a cumulative of more than \$100.00 in an election cycle, it is to the committee's advantage to secure this information as early as possible in the election cycle.

- b. **Cash Contributions.** The second part of Solicitation Form #1 requests information required for cash contributions. The committee may accept a cash contribution from a contributor as long as no single cash contribution exceeds \$20.00. However, such contributions are not matchable with public funds unless they are “reduced to writing.” Cash contributions may be “reduced to writing” if they are accompanied by a written statement that includes the name, address and signature of the payor, the name of the payee, the date, amount and purpose of the contribution.
- Solicitation Form #2

**Joint Contribution Allocation.** Solicitation Form #2 is for contributions drawn on a joint bank account (usually husband and wife). Such contributions are always attributed to the individual who signed the check unless the Solicitation form, or something comparable is completed and signed.

A contribution made by a check drawn on a joint account may potentially exceed contribution limitations if it is attributed only to the signer of the check, but would be acceptable if properly attributed to both persons who are owners of the account. If the committee wishes to submit joint contributions on a Public Funding Application, the Joint Contribution Allocation Form or a similar allocation statement signed by both contributors must be provided to the Bureau in conjunction with the Application.

Joint contributions must not be reported as such (Mr. And Mrs. John Doe) in either the Campaign Statements or Public Funding Applications but as separate contributions from two separate entities (John M. Doe with address, receipt date, issue date and amount, and Jane S. Doe with address, receipt date, issue date and amount).

Example: On June 1, 2005 the Samuel Thomas for Governor Committee receives a check in the amount of \$5000.00 drawn on the joint account of John M. and Jane S. Doe, signed by John M. Doe. An accompanying Allocation Statement indicates \$3,400.00 is to allocated to John M. Doe and \$1,600.00 is to be allocated to Jane S. Doe. Both contributors sign the Allocation Statement. The contribution is reported on both the Campaign Statement and the Public Funding Application as \$3,400.00 from John M. Doe and \$1,600.00 from Jane S. Doe. Both are included on a Public Funding Application with \$100.00 qualifying to be matched for 2005 for each contributor.

On January 2, 2006 the Samuel Thomas for Governor Committee receives a second check in the amount of \$1,500.00 drawn on the joint account of John M. and Jane S. Doe, signed by Jane S. Doe and written “issue date” on January 1, 2006. Since John M. Doe has contributed the maximum contribution amount for the election cycle, the entire \$1,500.00 is considered to be from Jane S. Doe and \$100.00 qualifying contribution for 2006 can be included on a Public Funding Application. If an Allocation Statement indicated any amount for John M. Doe, it would be an excess

contribution. If the date on the check was 2005, none of the \$1,500.00 would qualify for matching in 2006.

- Solicitation Form #3

**Partnership or Limited Liability Company Contribution Allocation.**

Unincorporated partnerships and limited liability companies are permitted to allocate contributions to individual partners or individual members of the company. Solicitation Form #3 provides space for the company to list the individual members from whom a share of the total contribution is to be reported. Only one signature is required on the Allocation Statement regardless of the number of partners or members to whom contributions are allocated. When an authorized person completes the form, it is assumed that all of the partners or members have the same occupation. Each contributor's name, address and amount should be reported separately on the Allocation Statement. The date of issue is the date indicated on the check.

Example: The Samuel Thomas for Governor Committee receives a check in the amount of \$5000.00 from XYZ Partnership, signed by Jonas K. Doe. Accompanying the check is a Partnership Allocation form, signed by Jonas K. Doe, which lists the names and addresses of 35 partners who are allocated \$114.29 each and 28 partners who are allocated \$35.71 each. The committee's Campaign Statement will include the names and addresses of each of the 63 partners with their allocated amounts. The committee can submit a Public Funds Application with all 63 partners' names, addresses and amounts. The 35 partners who gave \$114.29 will have qualifying contributions of \$100.00 each and the remaining 28 partners will have qualifying contributions of \$35.71.

**202-3 Monetary Contributions: Control System**

When receiving contributions, care must be taken to avoid potential violations of the Act. Prohibited or questionable contributions should be caught before the money is deposited into the committee's bank account.

Certain types of contributions, although acceptable, may not be matchable with public funds. These contributions should be separated from the matchable contributions prior to deposit of the money. The committee will want to photocopy all written instruments for matchable contributions prior to deposit.

Described below is a procedure designed by the Bureau of Elections for handling the receipt of contributions. While use of this procedure is not mandatory, whatever procedure the committee uses must encompass all of the controls included in the suggested method.

Processing Contributions 1) attach the solicitation form (if applicable) to the written instrument 2) review the contributions and divide into three groups:

Prohibited contributions  
Questionable contributions  
Acceptable contributions (Qualifying and Non-Qualifying)

- Prohibited contributions

The committee must return a prohibited contribution to the contributor unless it is an anonymous contribution. If a prohibited contribution is returned before being deposited, there is no need to record it for reporting purposes, since it has never been “accepted.” The following are examples of prohibited contributions:

- a. **Corporate or joint stock company contributions.** Any check drawn on a corporate account. Often, but not always, the name of the contributing organization on the check may be followed by “Inc.,” “P.C.,” “Assoc.,” etc. It is permissible to accept a contribution from a corporation’s PAC (Political Committee or Independent Committee). The contribution should be immediately returned to the contributor.
- b. **Labor organization contributions.** Any check drawn on the account of a union or labor organization. It is permissible to accept a contribution from the labor organization’s PAC. The contribution should be immediately returned to the contributor.
- c. **Domestic dependent sovereign contributions.** Any check drawn on the account of an Indian tribe. It is permissible to accept a contribution from the Domestic Dependent Sovereign’s PAC. The contribution should be immediately returned to the contributor.
- d. **Excess contributions.** Any single contribution that is more than \$3,400.00 if from an individual or a committee that is registered as a Political Committee, or more than \$34,000.00 if from a committee that is registered as an Independent Committee or a Political Party Committee is an excess contribution. Contributions that are themselves less than the limit, but cause the cumulative totals to exceed the limit, are discussed below. The committee has two choices. The committee may deposit the check and immediately write a check to the contributor to refund the amount that exceeds the contribution limit, or the committee may return the entire contribution. If the contribution is deposited, the entire amount must be reported as a contribution on the Campaign Statement that covers this period and the expenditure to refund the excess is also reported. If the entire contribution is returned without being deposited, there is nothing to report.

# Solicitation Form #1

## GENERAL INFORMATION - ALL CONTRIBUTORS

Committee Name: \_\_\_\_\_

Committee Address: \_\_\_\_\_

Committee Treasurer: \_\_\_\_\_

Dear Contributor:

The Michigan Campaign Finance Act requires that my committee report the following information concerning contributors. Please fill in this information and return the form with your contribution. Thank you for your contribution.

Sincerely, \_\_\_\_\_ **Candidate**

Contributor's Name \_\_\_\_\_

Occupation \_\_\_\_\_

Address \_\_\_\_\_

Employer's Name & Business Address \_\_\_\_\_

Amount of Contribution \$ \_\_\_\_\_

Date \_\_\_\_\_

## CASH CONTRIBUTION DOCUMENTATION

If you are contributing cash, please complete the following:

I hereby certify that my cash contribution, in the amount of \$ \_\_\_\_\_, is being made to the Gubernatorial Candidate Committee of \_\_\_\_\_ (name of Candidate) for the purpose of furthering the nomination or election of this candidate to the office of Governor of Michigan.

Date of Contribution \_\_\_\_\_ Signed \_\_\_\_\_ Contributor

### For Committee Use Only

Amount of Contribution: \$ \_\_\_\_\_

Cumulative Contributions as of this date \$ \_\_\_\_\_

Submitted for Matching Funds on Application # \_\_\_\_\_

Approved: YES  NO

Resubmitted on Resubmission # \_\_\_\_\_

Approved: YES  NO

Cumulative Matched For This Contributor: 2005 \$ \_\_\_\_\_ 2006 \$ \_\_\_\_\_

## Solicitation Form #2

### JOINT CONTRIBUTION ALLOCATION

**Committee Name:** \_\_\_\_\_

**Committee Address:** \_\_\_\_\_

**Committee Treasurer:** \_\_\_\_\_

Dear Contributor:

The Michigan Campaign Finance Act requires that my committee report the following information concerning contributors. Please fill in this information and return the form with your contribution. Thank you for your contribution.

Sincerely, \_\_\_\_\_ **Candidate**

A contribution made by a check drawn on a joint bank account will be attributed to the individual who signs the check unless otherwise indicated. If you wish to have your contribution attributed to more than one individual, please complete the following:

This contribution, in the amount of \$ \_\_\_\_\_, represents a contribution of \$ \_\_\_\_\_ from \_\_\_\_\_  
\_\_\_\_\_ and a contribution of \$ \_\_\_\_\_ from \_\_\_\_\_

Signed: \_\_\_\_\_ and \_\_\_\_\_

(Must be signed by both individuals)

Address: \_\_\_\_\_

Complete the following if the amount from either individual is greater than \$100.00

**Contributor #1:**

**Contributor #2**

Occupation \_\_\_\_\_

Occupation \_\_\_\_\_

Employer \_\_\_\_\_

Employer \_\_\_\_\_

Business Address \_\_\_\_\_

Business Address \_\_\_\_\_

For Committee Use Only

**Contributor 1:**

**Contributor 2:**

Amount of Contribution \$ \_\_\_\_\_

Amount of Contribution \$ \_\_\_\_\_

Cumulative Contributions as of this date: \$ \_\_\_\_\_

Cumulative Contributions as of this date: \$ \_\_\_\_\_

Submitted for PF on App # \_\_\_\_ Sequence # \_\_\_\_\_

Submitted for PF on App # \_\_\_\_ Sequence # \_\_\_\_\_

Approved? YES  NO

Approved? YES  NO

Resubmitted on Resub # \_\_\_\_ Approved? YES  NO

Resubmitted on Resub # \_\_\_\_ Approved? YES  NO

Cumulative Matched: Year 1 \$ \_\_\_\_\_ Year 2 \$ \_\_\_\_\_

Cumulative Matched: Year 1 \$ \_\_\_\_\_ Year 2 \$ \_\_\_\_\_

Solicitation Form #3

**PARTNERSHIP OR LIMITED LIABILITY COMPANY CONTRIBUTION ALLOCATION**

**Committee Name:** \_\_\_\_\_

**Committee Address:** \_\_\_\_\_

**Committee Treasurer:** \_\_\_\_\_

Dear Contributor:

The Michigan Campaign Finance Act requires that my committee report the following information concerning contributors. Please fill in this information and return the form with your contribution. Thank you for your contribution.

Sincerely, \_\_\_\_\_ **Candidate**

A contribution made by a partnership or limited liability company will be attributed to the partnership or the company as an entity unless otherwise indicated. If you wish to have your contribution allocated to individual partners or individual members of the company, please complete the following:

This contribution, a check in the amount of \$ \_\_\_\_\_ from

\_\_\_\_\_,  
A non-incorporated partnership or limited liability company, represents a contribution of \$ \_\_\_\_\_ each\*  
from the following individuals:

Address \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Name \_\_\_\_\_

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Signed \_\_\_\_\_

(Authorized Signatory)

Date \_\_\_\_\_

\* If amounts are not equal, please indicate the allocated amount.

- e. **Contributions from other Candidate Committees.** Another Candidate Committee is permitted to purchase tickets to a fund raising event sponsored by the Gubernatorial Candidate Committee with a limit of \$100.00 in a calendar year. Any other contribution from another Candidate Committee is prohibited and must be refunded. Ticket purchases that exceed \$100.00 in a calendar year must be refunded. A candidate, other than the gubernatorial candidate or the lieutenant governor candidate, may purchase tickets or make contributions from personal funds up to the \$3,400.00 contribution limit.
- f. **Cash contributions over \$20.00.** The amount of the cash contribution that exceeds \$20.00 must be returned to the contributor.
- g. **Incomplete written instrument.** A contribution for which the check or other written instrument is incomplete; e.g., unsigned or not properly filled out must be returned to the contributor.
- h. **Contributions from Ballot Question Committees.** A Ballot Question Committee is permitted to receive contributions from sources that are not permitted to contribute to a Candidate Committee. (Refer to the definition of a Ballot Question Committee in Sections 2(2) and 3(4) of the Campaign Finance Act.) Therefore, Ballot Question Committees are not permitted to make contributions to Candidate Committees or to any committees that support or oppose the nomination or election of candidates. The committee must immediately return any contribution received from a Ballot Question Committee.
- i. **Anonymous contributions.** Anonymous contributions are those for which it is impossible to determine the identity of the contributor. The committee must give the anonymous contribution to a tax-exempt charitable institution and obtain a receipt for the committee's records, which must be retained for 5 years.
- j. **Contribution from person holding a casino interest.** If the committee is notified by the Department of State that it has received a contribution from a person having a casino interest in one of the three Detroit casinos, the committee must refund the contribution within 30 business days after the notification.
- k. **Contribution from a foreign national.** Federal election law prohibits foreign nationals from making contributions or expenditures (including independent expenditures) in connection with any U.S. elections. It is also unlawful for any person to solicit, accept or receive a contribution from a foreign national. The committee should contact the contributor if the contributor's address is a foreign address to determine whether the contributor is an American citizen. If the contributor is not an American citizen, the contribution must be returned.

- Questionable Contributions

Questionable contributions are contributions which **may or may not** be acceptable, or for which further information is required. These contributions, and the required actions concerning them, are as follows:

- a. **Possible foreign national contributions.** Federal Election law prohibits foreign nationals from making contributions or expenditures (including independent expenditures) in connection with any U.S. elections. It is also unlawful for any person to solicit, accept or receive a contribution from a foreign national. The committee should contact the contributor if the contributor's address is a foreign address to determine whether the contributor is an American citizen. If the contributor is not an American citizen, the contribution must be returned.
- b. **Possible corporate contributions.** These are contributions from any business or organization, including sole proprietorships, partnerships, limited liability companies, etc., for which the corporate status is not obvious from the face of the written instrument. Corporate status may be determined by contacting the contributor, or by using the Michigan Department of Consumer and Industry Services, "Business Entity Search" at: [www.michigan.gov/cis](http://www.michigan.gov/cis) or by calling (517) 241-6470. The records of the Corporation Division of the Bureau of Commercial Services are open to the public. The records include the organization documents for limited partnerships, limited liability companies and corporations.

If it is determined that the contributor is incorporated, the committee must return it immediately to the contributor. If returned within 30 business days, no violation is considered to have occurred.

- If the contribution is not from a corporation, the committee may treat it as an acceptable contribution. When recording and reporting the contribution, a notation should be made ("not corp." in the second address field) that the committee has verified that the contributor is not a corporation.
- A contribution from a business that is a sole proprietorship must be combined with any contributions received from the individual who is the owner of that business for purposes of determining whether contribution limits have been exceeded. A contribution from a partnership or limited liability company, made in the name of the company rather than allocated to the individual partners or members, is not combined with the contributions of the partners or members for contribution limits purposes.

- c. **Possible contributions from other Candidate Committees.** These are contributions where the committee is unable to determine from the face of the written instrument whether the contribution is for the purchase of a fund raiser ticket. The committee should contact the contributing committee to determine the purpose of the contribution. If the purpose is not for purchase of a fund raiser ticket, the committee must return the contribution.
- d. **Missing information.** These are contributions where the information required for complete and accurate record keeping and reporting is not provided. Attempts should be made by mail, by telephone and any other legal means available to obtain the requisite information.

If the information cannot be obtained, the contribution should be returned. If no information as to the identity of the contributor can be obtained, the contribution should be treated as an anonymous contribution and given to a charity and a receipt secured.

- e. **Contributions from out-of-state contributors** (other than individuals and committees registered under the Act). Such contributions must be accompanied by a statement, certified as true and correct by an officer of the contributing group or organization, listing the full name and address along with the amount contributed, of each person who contributed to the total amount of the contribution. The occupation, employer, and principal place of business must be listed for each individual who contributed more than \$100.00 to the total amount of the contribution. The certified statement shall also state that the contribution was not made from an account containing funds prohibited by Section 54 (corporations, labor unions or domestic dependent sovereigns).
- The recipient committee must retain the certification statement in its records.
  - The list of contributors must be included (as memo itemizations) in the Campaign Statement filed by the recipient committee covering the period of time during which the contribution was received.
  - If the committee is unable to obtain the certified list of names, the contribution must be returned.
- f. **Contributions from persons other than individuals or registered committees, such as unincorporated businesses or social groups, etc.** While these contributions are acceptable, their acceptance may place a responsibility on the contributors of which they may be unaware. The Campaign Finance Act requires a person, other than an individual, who makes a contribution totaling less than \$500.00 to provide the name, address, date and amount of contribution for any individual who contributed to the total

amount of the contribution. If the individual gave more than \$100.00, the occupation, employer and principal place of business must also be provided. If the person, other than an individual, contributed \$500.00 or more, the person must register as a committee (Political or Independent) and is then subject to the reporting requirements of the Act.

g. **Ordinarily acceptable contributions that become unacceptable.**

Acceptable contributions (including those questionable contributions that were determined to be acceptable) should be compared with the committee's contribution files. Single contributions, together with previous contributions from the same persons, may cause those contributors to exceed their election cycle contribution limit. Contributions made after the general election are always considered to be for the next election cycle, unless specifically designated by the contributor, in writing, to be for a previous election cycle.

Contributions may be designated for a previous election cycle only to the extent necessary to repay debts or obligations incurred for that cycle and to the extent that the contributor has not exceeded the contribution limit for the cycle to which designation is intended. If the committee has no debts or obligations for a cycle, it may not accept a contribution designated to that previous cycle.

The committee must return to the contributor contributions that cause contributors to exceed their contribution limits.

- Acceptable Contributions

**Qualifying Contributions**

In the processing of contributions, qualifying contributions are separated from non-qualifying contributions. The committee will select qualifying contributions to include on Public Funding Applications. Types of qualifying contributions are listed below:

- a. A contribution of \$100.00 or less given by written instrument by an individual who is a Michigan resident as defined in Michigan Election Law (Act No. 116 of the Public Acts of 1954, being sections 168.1 to 168.992 of the Michigan Compiled Laws) to a Gubernatorial Candidate Committee after April 1 of the year preceding a year in which a governor is to be elected (Year 1). The contributor may make an additional qualifying contribution of \$100.00 or less during the year of the gubernatorial election (Year 2).
- b. A contribution from the candidate or a member of the candidate's immediate family may also be a qualifying contribution if it meets the criteria in "a." above.

- c. A cash contribution of \$20.00 or less that has been “reduced to writing” and meets the other criteria in “a.” above.

### **Non-Qualifying Contributions**

Non-qualifying contributions are contributions that cannot be matched with public funds. Non-qualifying contributions include all of the following:

- a. A subscription, loan, advance, and deposit of money, in-kind contribution of goods or services, in-kind expenditures.
- b. A contribution from a person who is a legal resident of a state other than Michigan.
- c. A contribution from a committee, business, organization, association or any type of contributor other than an individual Michigan resident.
- d. Any contribution that is unacceptable as described or was initially questionable and later determined to be unacceptable.
- e. Funds obtained from the resale of entertainment tickets at their face purchase price by a Gubernatorial Candidate Committee which purchased the tickets at their face purchase price do not constitute qualifying contributions and are therefore not matchable with public funds. (Judgment by Ingham County Circuit Court, February 24, 1987, Jacobs v. Austin)
- f. Transfers from another Candidate Committee of the gubernatorial candidate are not qualifying contributions and therefore are not matchable with public funds. (MCL 169.245(1).)
- g. Contributions from persons who have already contributed the maximum qualifying contribution for the calendar year. A contributor may have made the maximum qualifying contribution for year 1, but has not done so for year 2. The date on which the check or money order was issued or written determines the matchable year.

- Processing Contributions

1. Non-qualifying contributions should be processed as follows:

Batch the contributions and prepare a deposit slip. A “batch” consists of a deposit slip and all contributions listed on the deposit slip. When preparing the deposit slip, follow the procedure below:

- a. Make sure all contributions have been recorded with contributor's name, address, issue date, receipt date and amount.
  - b. List contributors' names and amounts on deposit slip and make a photocopy of completed slip and all of the checks and other written instruments.
  - c. Do not mix contributions with other types of receipts. If the contribution is a loan from a person, also record the loan as a debt.
  - d. Record and deposit contributions.
2. Qualifying contributions should be processed as follows:

Batch the contributions, prepare a deposit slip and follow the procedure below:

- a. Make sure all contributions have been recorded with contributor's name, address, issue date, receipt date and amount.
- b. Photocopy each batch of checks or written instruments.
- c. Photocopy solicitation forms with the written instruments.
- d. After photocopying, black out bank account names, routing numbers and account numbers on the copies.
- e. Record the contributions in the committee's contribution files.
- f. Record and deposit the contributions.

Record the number of the Application and the sequence number assigned to each qualifying contribution that is submitted on a Public Funding Application. After the review and certification by the Bureau of Elections, record whether the contribution was matched with Public Funds, and on which Application the contribution was submitted. For each contribution that was not matched, record the ineligible reason code assigned to it by the Bureau and whether it was resubmitted after correction of an error or provision of additional documentation and subsequently matched.

## **202-4 In-Kind Contributions**

### Categories of In-Kind Contributions

- **In-Kind Contributions Subject to Expenditure Limitation**

All in-kind contributions are subject to contribution limits except assets transferred from the Primary Election to the General Election. In addition, the value of the in-kind contribution may be subject to the expenditure limitation or exempt from the expenditure limitation, depending upon the nature of the contribution. If the goods or services contributed are such that, if the committee had paid for them directly, the expenditure would have been subject to the expenditure limitation, then the value of the goods contributed as an in-kind contribution also is subject to the limitation. These would include, but are not limited to, such things as the purchase of advertising time, signs, supplies, materials, donations of food or entertainment for fund raisers, etc., by a contributor on behalf of the committee.

Assets may be purchased by the committee for the Primary Election and subsequently used in the General Election campaign. If the value of the assets is not reimbursed to a Primary Election account, the value of those assets would constitute an in-kind expenditure from the Primary Election to the General Election for purposes of the expenditure limitations. This transfer is reported on the In-Kind Expenditure Schedule for the Primary Election and on the In-kind Contribution Schedule for the General Election. The value is a credit to the expenditure limitation for the Primary Election and is subject to the expenditure limitation for the General Election.

- **In-Kind Contributions Exempt Pursuant to Rule 39a**

If the goods or services contributed were such that, had the committee purchased them directly, they would have been exempt from the expenditure limitations based upon the provisions of Promulgated Rule 39a, then the value of the contribution is also exempt. This would include the goods or services specifically listed in Rule 39a, if a contributor paid for these goods or services on behalf of the committee. Following is a summary of the types of in-kind contributions that would qualify for exemption pursuant to Rule 39a:

1. Payment, by a contributor, of security expenses billed to the committee by the Michigan State Police.
2. Payment, by a contributor, of expenses for, or donation of free services for, legal and accounting expenditures incurred by the committee solely to insure compliance with the Campaign Finance Act.
3. Payment, by a contributor, of expenses incurred by the committee in response to a written complaint filed against the committee pursuant to the Campaign Finance Act or the promulgated Rules, or in response to a Notice of Error or Omission initiated by the Secretary of State.
4. Payment, by a contributor, of post-election winding down costs subsequent to the Primary Election for a Candidate Committee not participating in the General Election and subsequent to the General Election for a Candidate Committee participating in the General Election, including expenditures for record storage or

for communications with contributors or other persons who assisted in the campaign, thanking them for their assistance, if the communications occur no more than 60 days after the election.

5. Payment, by a contributor, of late filing fees assessed against the committee under the Campaign Finance Act.

- **In-Kind Contributions Exempt Miscellaneous**

This category is for in-kind contributions such as an endorsement or guarantee of a loan from a financial institution. Although an endorsement or loan guarantee would be exempt from the expenditure limitation, it would be subject to the contribution limitation and must also be reported with the debt on the debt schedule.

## **202-5 OTHER RECEIPTS**

“Other receipts” are receipts of money that are not contributions. Generally, they will fall into one of six categories:

1. a receipt of public funds from the State Campaign Fund,
2. a loan of money from a financial institution in the ordinary course of its business,
3. a refund or rebate of a deposit or overpayment,
4. proceeds from the sale of the committee’s assets,
5. interest earned on committee funds, or
6. an entry to correct an error.

Depending upon the nature of the receipt, the money will be deposited in either the committee’s public funds account or private funds account for a particular election. Funds received from the State Campaign Fund must be deposited in the public funds account for the election for which the money is received. All loans must be deposited into the private funds account. Refunds, rebates, and proceeds from the sale of assets must be returned to the account from which the deposit, overpayment or purchase of assets was originally made.

Also, depending upon the nature of the receipt, the money received may be a credit to the committee’s expenditure limitations. This would be the case when there is a rebate or refund of an overpayment or a deposit (e.g., a security deposit on office space). If the original expenditure was subject to the expenditure limitations, the returned portion is a credit to the expenditure limitations. The same would be true when the receipt is from the sale of assets and the original purchase of the assets was subject to the expenditure limitation.

Monies received from the State Campaign Fund or from a loan to the committee have no effect upon the committee's expenditure limitations until spent. Any receipt that is a refund, rebate, or proceeds from the sale of assets where the original expenditure was from public funds is a credit to the expenditure limitation.

An "other receipt" may have an impact on other committee records. If the receipt is a loan, it must also be reported as an outstanding debt. If the receipt is a refund or rebate which had previously been recorded as a debt or obligation owed to the committee, the receipt would reduce the debt.

## 203 EXPENDITURES

### Prohibited Expenditures from Public Funds

(MCL 169.266(1).) Public funds may only be used for "qualified campaign expenditures." These are expenditures "for services, materials, facilities or other things of value by the Candidate Committee to further the candidate's nomination or election to office during the year in which the primary or general election is held."

Public funds cannot be used for any of the following:

- a. Debt that was incurred prior to the year of the election.
- b. An expenditure in violation of any law of the United States or this state.
- c. A payment or reimbursement to the candidate or a relative within the third degree of consanguinity of the candidate, or to a business with which the candidate or relative is associated. Payment or reimbursement may also not be made to the lieutenant governor candidate in the general election as the candidates are considered one candidate for the general election  
  
"Relative within the 3<sup>rd</sup> degree of consanguinity" includes spouse, children, daughters-in-law, sons-in-law, mothers-in-law, fathers-in-law, aunts, uncles, first cousins, parents, grandparents, great grandparents, sisters, brothers, sisters-in-law, brothers-in-law, nieces and nephews of the candidate.
- d. A payment to the extent clearly in excess of the fair market value of services, materials, facilities or other things of value received in exchange.
- e. That portion of wage or salary to an individual in excess of \$5,000.00 per month. For purposes of this requirement, "wage or salary" means the gross amount of wage or salary, including amounts deducted for FICA, income taxes, etc. Note that this requirement does not mean that wages or salaries in excess of \$5,000.00 per month may not be paid, only that the excess may not be paid from public funds.
- f. Payment from petty cash.

- g. Gifts, except brochures, buttons, signs and other printed campaign material.
- h. Payment to a defense fund.
- i. An expenditure by a Candidate Committee for an incidental expense under Section 21(a) of the Campaign Finance Act.

The candidate's qualified expenditures may be paid from the committee's Public Funds Account unless the account does not have a balance. Payment received from the State Campaign Fund for expenditures in one election shall not be used for expenditures in a subsequent election.

#### Expenditures Subject to \$2 Million Expenditure Limitation

(MCL 169.267(1).) A Committee that receives public funds may not make expenditures that exceed \$2 million per election. "Per election" expenditures are all expenditures made on or before the date of the election and which are not applicable to a future or past election.

Post-election expenditures will be considered to be for the next election, except to the extent they are:

- For repayment of previously incurred debts or obligations,
- For "winding down" cost (i.e., those expenses such as staff salaries and office space necessary for maintaining the committee while it terminates its activities), or
- For expenditures made within 60 days after the election for the purpose of acknowledging the efforts of the committee's staff.

Expenditures which are subject to the limitation include all of the following:

- All payments made by the committee of public or private funds. These include "election night" expenses and wage and withholding for staff, except those paid from private funds that qualify as exempt under Rule 39a. Also included are bank service charges. Extra charges that may be assessed for a canceled check option are exempt from the \$2 million expenditure limitation.
- The fair market value of all in-kind contributions received by the committee.
- The fair market value of any in-kind expenditure made on behalf of a Ballot Question Committee.
- The total amount of debts or obligations owed by the committee other than a loan of money. Interest paid on a loan, however is subject to the expenditure limitation. The original amount of debt in which a settlement has been negotiated (with written approval from the Bureau of Elections) is the amount that is subject to the expenditure limitation.
- All expenditures made by the lieutenant governor committee for the general election.

The following transactions may result in a credit to the expenditure limitation:

- Receipt of refunds of deposits or rebates of overpayments where the original expenditure was subject to limitation. When such refunds or rebates are received they must be deposited into the account from which the original expenditure was made.
- Certain in-kind expenditures. These include the fair market value of assets purchased for one election and used for a later election, unless the account from which the purchase was made is reimbursed. These also include the fair market value of assets donated to a Political Party Committee, Ballot Question Committee, a tax-exempt charitable organization or returned to contributors upon termination of the committee.
- **Exempt Expenditures – Private Funds**  
The following expenditures may qualify for one of the following exempt categories if made from private funds.

Exempt Rule 39a. Certain expenditures may be exempt from the \$2 million expenditure limitation due to provisions of Rule 39a of the General Rules if made from private funds. These include the following:

- a. Expenditures necessitated by security requirements established by the Director of the Department of State Police.
- b. Legal and accounting expenditures made by a committee solely for the purpose of insuring compliance with the Act by the committee.
- c. Expenditures in response to a written complaint filed pursuant to the Act or the Rules or in response to a Notice of Error or Omission initiated by the Bureau of Elections.
- d. Post-election winding down expenditures after the gubernatorial primary for Candidate Committees not participating in the general election or after the general election for Candidate Committees participating in the general election, including expenditures for either of the following activities:
  - 1) Record storage required by Section 22 of the Act.
  - 2) Communications with contributors or other persons who assisted in the campaign, thanking them for their assistance, if these communications occur not more than 60 days after the election
  - 3) Late filing fee as assessed under the Act.

Exempt Miscellaneous. Certain expenditures may be exempt due to reasons other than the provisions of Rule 39a, such as to correct errors or for accounting transfers. These expenditures include the following:

- a. Expenditures made from private funds for responding to an unfavorable media editorial. However, this exception applies only to one response for each editorial, and then only if free response time or space has been denied. (MCL 169.267(3).)

- b. Expenditures made from private funds for repayment of a loan of money from a financial institution in its ordinary course of business. The committee must document that expenditures of the loan proceeds were subject to the \$2 million limitation. Payment of interest on such a loan is subject to the \$2 million limitation.
- c. Expenditures made from private funds for return of prohibited contributions, such as excess contributions and contributions from a corporation, joint stock company, labor organization or domestic dependent sovereign.
- d. For purposes of dissolving the committee, an expenditure from private funds to a Political Party Committee, Ballot Question Committee, Independent Committee, tax exempt charitable institution or to a contributor to the committee.
- e. An expenditure that is an accounting transfer of funds from the primary election private funds account to the general election private funds account after the primary election.
- f. An in-kind contribution which is a guarantee, co-signing or endorsement of a loan of money from a financial institution. (Note that all other in-kind contributions are subject to the expenditure limitation.)
- g. An expenditure that is a transfer of funds between the committee's private funds accounts due to an expenditure inadvertently made from the wrong account. This type of transfer must have the prior written approval of the Bureau of Elections.
- h. An expenditure for photocopies of written instruments and other documentation necessary for processing of a Public Funds Application.
- i. An expenditure for additional costs incurred for electronically filing Campaign Statements or Public Funding Applications.

- **Exempt Expenditures – Public Funds**

The following expenditures may qualify for one of the following exempt categories if made from public funds.

- a. An expenditure which is a transfer of funds between the committee's private and public funds accounts due to an expenditure inadvertently made from the wrong account. This type of transfer must have the prior written approval of the Bureau of Elections unless used for start up funds.
- b. Any return of unexpended public funds to the State Campaign Fund.
- c. Expenditures made from public funds for repayment of a bank loan if the committee provides documentation that:
  - 1) The proceeds of the loan were used to make qualified campaign expenditures that were subject to the \$2 million expenditure limitations.
  - 2) The qualified expenditures were not originally paid with public funds; and
  - 3) The public funds provided to the committee must be used to repay the bank loan. (Note: payment of interest on the loan is subject to the \$2 million limitation and cannot be paid with public funds.)

### Debt Limitation

(MCL 169.268.) The committee, or any person, may not incur a debt for goods, service, facilities or anything of value which, when paid would cause the committee to exceed the expenditure limitations.

Because of the separate \$2 million expenditure limitation for each election (primary vs. general), the committee must be careful to strictly identify expenditures as being for either the Primary Election or for the General Election and not to intermingle expenditures for one election with those for the other election. In addition, the committee must strictly separate public funds from private funds, as there are certain types of expenditures for which public funds may not be used. The committee's record keeping system must be capable of providing the following information regarding expenditures:

- The name and address of each person to whom an expenditure was made, the date, amount and purpose of the expenditure.
- Detail information regarding expenditures that are subject to the \$2 million expenditure limitation and the total of such expenditures.
- Detail information regarding expenditures that are exempt from limitation due to the provisions of Rule 39 or the miscellaneous exempt provisions and the total of such expenditures.
- Detail information regarding expenditures that were made with public funds and those that were made with private funds.

The committee must also keep track of funds that are transferred out of an account but are not reportable as such. A transfer between public and private funds accounts are reportable and may only occur with written approval from the Bureau of Elections to correct errors. Such transfers do not affect the committee's overall cash balance, but do affect the balance of the individual accounts. Note: transfers from private to public accounts for start-up funds (minimum amount required to open bank account) do not require written approval, however, funds must immediately be transferred back to the private funds account once public funds have been received.

Private funds may be transferred to a petty cash fund or to interest bearing accounts (savings or certificates of deposit). Neither type affects the overall cash balance. Public funds may not be used to establish a petty cash fund. If the committee transfers public funds to an interest bearing account, any interest earned on public funds accrues to the State and cannot be spent by the committee.

The Act requires that the committee keep "all accounts, records, bill, and receipts" necessary to substantiate what is reported on Campaign Statements for 5 years after the statement was filed. The committee must obtain invoices, receipts or sales slips from each of its vendors. These should show the name and address of the business or person paid, the date and amount and a brief description of what was purchased.

The Secretary of State recommends that Gubernatorial Candidate Committees request a canceled check return system for its checking account. Please consult with your financial institution to determine what kind of canceled check return system, such as “substitute checks,” should be used by the committee. Any additional cost assessed by the bank for this feature may be classified as “Exempt Miscellaneous” and must be paid with private funds. A canceled check system will facilitate balancing of accounts and the subsequent audit of committee records by Department of State auditors.

All required information should be obtained at the same time or before the check is written for the expenditure. The category for an expenditure, the number of the check and from which account the check is being written (public funds or private funds) should be noted on the invoice, receipt or sales slip. It is possible that when multiple purchases are made from a single vendor some purchases may be subject to limitation, while others may be exempt from limitation. The committee treasurer should determine what portion of each payment is allocated to a given category and record such allocation in the committee’s records and on the invoice.

One instance where an expenditure will almost always encompass two categories is when a loan payment is made. The principal portion of the loan repayment is exempt from the expenditure limitation (exempt miscellaneous); whereas, the interest incurred is subject to the expenditure limitation. Therefore, the terms of the loan contract will determine, what portion of each payment is applied against principal as well as interest.

### **203-1 Expenditures to Independent Contractors**

The committee is required to report expenditures made to independent contractors and additional detail information regarding expenditures made by the contractor on behalf of the committee. The committee is required to report the name and address of the contractor, the date, amount and purpose of the committee’s expenditure to the contractor. In addition, the committee must report the name, address, date, amount and purpose of any expenditures of \$50.00 or more the contractor makes to any other person on behalf of the committee unless the contractor files a separate report of expenditures made on behalf of the committee. The information must be provided to the committee in time to be included in the same Campaign Statement in which the committee reports its expenditure to the contractor. An example of an expenditure to a Independent Contractor is when the committee pays an advertising agency for media advertising and the advertising agency pays radio and television stations on behalf of the committee. The committee reports the name, address, date, amount and purpose of the expenditure made to the agency and the names, addresses, dates, amounts and purpose of the expenditures made by the agency to the radio and television stations.

### **203-2 Payroll Records**

A Gubernatorial Candidate Committee’s payroll records are complicated by several factors. First, a Gubernatorial Candidate Committee may not use public funds to pay

a wage or salary to an individual in excess of \$5,000.00 per month. This does not mean that an individual may not be paid more than \$5,000.00 per month; only that the portion of the wage that is paid with public funds may not exceed \$5,000.00. However, “wage or salary” means gross pay, or the amount of pay before deductions (FICA, income tax, etc.) are subtracted. Therefore, merely keeping track of the amount of the check actually issued to an employee does not show whether the employee was paid in excess of \$5,000.00 per month with public funds.

Secondly, payroll expenditures may be subject to expenditure limitation or exempt from limitation, depending upon the activities of the particular employee.

Finally, payments of withholdings are usually made as lump sums that represent the withholdings for several employees for one or more pay periods. If the committee has paid staff members, it should consult with the Internal Revenue Service, the Michigan Department of Treasury, and, where applicable, various city treasurers regarding withholding requirements. It should be emphasized that any payment of wages, salaries, or withholdings with public funds is subject to the expenditure limitation, regardless of the activities for which the payment was made.

The committee must determine early in the campaign what will constitute a pay period. Because the Act speaks of a “per month” limitation on payments of wages or salaries from public funds, it is best for the committee to establish monthly or semi-monthly pay periods (as opposed to weekly or biweekly). If weekly or biweekly pay periods are used, a month is considered to be equal to 4.33 weeks for purposes of determining individual per month wages or salaries. If an established pay period covered by individual payroll expenditures is not apparent, the Bureau, for compliance purposes, will consider all payments made to or on behalf of a particular individual within a calendar month to be for that month.

If the committee intends to pay any person in excess of \$5,000.00 per month, and part of the payments will be from public funds, the committee must decide how the payments will be apportioned between public and private funds. There are a number of ways in which this may be done. For example, the net (take home) part might be paid from public funds and the withholdings paid from private funds, or vice versa, or simply to pay all wages from private funds. Whatever decision is made should be adhered to consistently in order to avoid confusion.

### **203-3** Expenditures of Petty Cash

Under the Act, a committee may make cash expenditures of \$50.00 or less. Often a committee will choose to establish one or more (if the committee has more than one office location) petty cash funds from which to make cash expenditures of \$50.00 or less.

Expenditures of cash are subject to the same record keeping requirements as other expenditures; i.e., recording of names, addresses, dates, amounts, and purpose of

expenditures. However, the committee is only required to report on a Campaign Statement an expenditure to establish the petty cash fund, and expenditures to replenish the fund. The committee may, but is not required to report the detailed information for the separate expenditures of cash out of the petty cash fund. The detailed petty cash information will be reviewed during the audit of the committee's records. The cash expenditures will all fall into the "subject to limitation" category, because all "exempt" expenditures must be itemized and **no public funds may be used for petty cash expenditures.**

The person responsible for the petty cash fund must be made aware of the \$50.00 limit on disbursements from the fund and of the record keeping requirements for all disbursements from the fund. A request for an amount greater than \$50.00 should be referred to the committee treasurer so that a check may be issued.

## 204 TRANSFERS BETWEEN ACCOUNTS

The first type of transfer might occur when a deposit is erroneously made to, or an expenditure is erroneously made from, the wrong account. A correcting transfer may be made between the accounts, but only with the **prior written approval of the Bureau of Elections.** To obtain this approval, the committee must provide in writing the details of the erroneous transaction, including the dates and amounts involved. In addition, if the transaction was an expenditure, the committee must certify that the balance of the account from which the expenditure should have been made was sufficient at the time to cover the expenditure. Approval for a transfer will not be granted unless the committee can document that it was an erroneous transaction.

Note: a one time transfer from the private to public funds account for start-up funds (minimum amount required to open bank account) does not require written approval, however, funds must immediately be transferred back to the private funds account once public funds have been received.

For record keeping and reporting purposes, such a transfer should be categorized as an "exempt miscellaneous" expenditure from the account from which the transfer is made. For the recipient account, the transfer should be reported as an "itemized other receipt".

The second type of transfer affects only those committees that participate in both the Primary and General Elections. Because public funds received for one election may not be used for a subsequent election, the committee must reimburse the Primary Election public funds account for the value of any on-hand assets purchased by the committee for the Primary Election with public funds and subsequently intended for use in the General Election. In effect, these assets must be "purchased" from the Primary Election public funds account. The committee may use either General Election public funds or General Election private funds to make the purchase. The purchase should be reported as an expenditure subject to limitation for the General Election and as an itemized "other receipt" that is a credit to the expenditure limitation for the Primary Election.

If the transferred asset was originally purchased with private funds, the allocation to the General Election is handled differently. Since there is only one private funds account, the transfer will be an in-kind transfer, merely transferring the assets as an in-kind expenditure from the Primary Election and an in-kind contribution to the General Election.

Because of the necessity of segregating expenditures by election, private funds received for one election and intended to be used to make expenditures for another election must be “transferred” between “accounts, although there is only one actual private funds bank account. This is an accounting transfer only. There can be no actual physical movement of private funds from the Primary Election bank account to a private funds bank account for the General Election. The accounting transfer is reported as an “exempt miscellaneous expenditure” on the Primary Election Campaign Statement and as an “itemized other receipts” on the General Election Campaign Statement.

The transfer transaction should occur after the Primary Election and should be reported on the Post-Primary Campaign Statement. The committee should transfer the entire ending balance of the private funds account unless there are outstanding debts for the primary that must still be paid, in which case a sufficient amount could be left to cover the amount of the debts. The transfer transaction will result in a zero ending balance in the private funds column of the Summary Page for the Primary Election, and a balance in the private funds column of the Summary Page for the General Election that includes the transferred amount.

## 205 IN-KIND EXPENDITURES

In-kind expenditures consist of goods or services given by the committee to another person. The nature of in-kind expenditures is the same as that of in-kind contributions, except that the contribution is being made by the committee, rather than to the committee. In-kind expenditures will fall into one of two categories:

1. Subject to the expenditure limitation

The only permissible in-kind expenditure that is subject to the expenditure limitation is an in-kind expenditure of goods or services to a Ballot Question Committee. Note that in-kind expenditures made to or on behalf of a Ballot Question Committee cannot be made with goods or services originally purchased with public funds.

2. Credit to the expenditure limitation.

In-kind expenditures that are a credit to the expenditure limitation are limited to post-election disposition of the committee’s assets. This would be the case where assets were originally purchased for use in the Primary Election and were subsequently used in the General Election, and the value of the assets was not reimbursed to the Primary Election private funds account. With the transfer of the assets to the General Election, depreciated value of the assets is treated as an in-kind expenditure that is a credit to the Primary Election expenditure limitation.

The depreciated value of the assets would also be an in-kind contribution subject to the General Election expenditure limitation. The other type of in-kind expenditure that would be a credit to the expenditure limitation would occur when the committee dissolves and donates its assets to a Political Party Committee, a Ballot Question Committee, an Independent Committee or a tax exempt charitable institution. This applies only to the donation of assets, and not to a sale of such assets. If the assets are sold, all proceeds from the sale are reported as “Itemized Other Receipts” that are credits to the expenditure limitation (if the original purchase was subject to the limitation). If the original purchase was exempt, the proceeds are not a credit to the limitation and would therefore be categorized as “other.”

## 206 THE IMPACT OF EXPENDITURES ON OTHER RECORDS

Certain types of expenditures will affect other records. Listed below are several types of expenditures and the records they will affect in addition to the expenditure records:

- **Payment of a deposit.** Affects debts owed to the committee.
- **Repayment of a loan from a financial institution.** Affects debt owed by the committee.
- **Repayment of a loan from a person other than a financial institution.** Affects debt owed by the committee and the person’s cumulative contributions for the election cycle.
- **Return of a contribution.** If the contribution has been deposited, return of the contribution will affect the contributor’s cumulative contributions for the election cycle. If the contribution has been submitted on a Public Funding Application and matched with public funds, the committee must refund the public funds received.
- **Fund raiser expenditures.** Affect both the expenditure schedule and the fund raiser schedule.

### **Expenditure limit exception**

(MCL 169.269(8)) A gubernatorial Candidate Committee that does not make application for public funds and accepts from the candidate and the candidate’s immediate family more than \$340,000.00 during an election cycle must notify the Bureau of Elections within 48 hours after receipt of this amount. Within two business days after receiving notice, the Secretary of State must notify all other candidates who are either seeking the same nominations, in the case of the primary election, or election to the same office, in the case of the general election, informing those candidates that the expenditure limits for gubernatorial candidates who are receiving public funds are waived for the remainder of that election. The waiver has no effect on the determination of the amount of public funds for which a candidate qualifies under Sections 64 and 65.

**207 INVENTORY OF ASSETS**

The committee must maintain a record of all assets purchased. The record should indicate the purchase price and whether the purchases were made with public or private funds. The account from which the purchase was made becomes important when the committee sells any of its assets, as the proceeds from the sale must be deposited into the account from which the original purchase was made. Both the original price and the account are important factors for a committee participating in both the Primary and General Elections, as the value of the assets must be credited to the Primary Election expenditure limitation and applied to the General Election expenditure limitation. Also, if the assets were originally purchased with Primary Election public funds, that account must be reimbursed for the fair market value of the assets.

When the committee participates in both elections, the value of the assets at the time of the transfer or reimbursement must be determined. For this reason, a suggested Inventory Form is shown on the next page.



The Inventory Form was designed primarily to keep track of permanent assets (furniture, office equipment, etc). When an item is purchased, the committee records the date of purchase, a brief description of the item, and the amount of either public or private funds. Consumable supplies, such as paper, computer ink cartridges, etc., do not need to be recorded in this manner.

- The committee should use the Inventory form on two occasions. First, if the committee sells any of its permanent assets, the proceeds from the sale must be deposited into the account from which the original purchase was made. The committee will be able to determine the proper account for the deposit if the form has been properly maintained.
- Secondly, the committee should use the Inventory Form when assets are used in both the Primary and General Elections. The value of all such assets must be applied against the General Election expenditure limitation and credited to the Primary Election expenditure limitation. If originally purchased with Primary Election public funds, the committee must reimburse that account for the asset's value.

The Inventory Form provides for three types of assets that may be allocated from the Primary Election to the General Election: 1) permanent assets, 2) consumable supplies, and 3) film and tape production cost.

### **207-1 Permanent Assets and Consumable Supplies**

The committee should depreciate the original value of permanent assets at the time of the allocation to the General Election. Use the rate specified in the chart found in Appendix D of this Manual to calculate the percentage of depreciation from the date of purchase to the date of allocation, with a fraction rounded down. Record the total percentage of depreciation in the indicated column on the Inventory Form. Indicate the depreciated value (original purchase price minus depreciation amount) in the appropriate column of the form, based upon which funds were used for the original purchase.

The Bureau of Elections recommends that the committee make a decision early in the campaign to make all purchases of consumable supplies from only one account. Then it will only be necessary to take an inventory of on-hand supplies at the time of the allocation, assign a reasonable value, and record this amount in the appropriate column of the form.

After the depreciated value of permanent assets and consumable supplies has been determined, the "current value" columns can be totaled. These totals are then transferred to the respective "Assets" lines in the "Transferred to General Election" section of the form.

## **207-2** Tape and Film Production Costs

Because of the requirements to strictly separate primary and general election expenditures due to per-election expenditure limitations, it is necessary to allocate film and tape production costs between the two elections. These are costs of production of radio and television tapes and film, shot or taped originally for the Primary Election campaign and of which some portion is to be used in the General Election campaign. The costs include those associated with the actual production of the film or tape; e.g., shooting, taping, developing, charges for editing or for purchase of air time are not included, but are expensed during the period in which they occur.

The committee must calculate the total production costs for the Primary (private and public); how many units (feet or seconds) of film or tape were used in the Primary Election; how many were used during the General Election (units produced but not used for the Primary); and finally, how many units were used in both elections.

After the above information has been obtained, the committee must calculate the cost-per-unit. This is achieved by dividing the total Primary production cost by the number of units actually used. This is the total of the units used during the Primary plus the units produced during the Primary and used only during the General campaign. The cost of film or tape that was used in both elections may be equally divided between the elections, but the full production costs of film or tape that was used only for the General Election campaign, although produced during the Primary, must be allocated to the General election.

If the committee used both Primary public funds and Primary private funds to pay for the production costs, it must make one further determination. Of the total amount allocated to the General Election campaign, the committee must determine which portion was originally paid for with public funds (which must be reimbursed to the Primary public funds account) and which portion was originally paid for with private funds (which must be treated as an in-kind expenditure for the Primary Election and an in-kind contribution for the General Election.) The formulas for determining this allocation are found in Appendix C of this manual.

After recording the transferable film and tape production costs to the inventory form, the committee adds the total to the transferable value of the other assets.

## **208 DEBTS AND OBLIGATIONS OWED TO THE COMMITTEE**

When a debt is owed to the committee, it is usually the result of a previous expenditure made by the committee. When the debt is repaid, it will be an “itemized other receipt” for the committee and may also be a credit to the expenditure limitation.

- Debts and Obligations Owed to the Public Funds Account

Included in debts or obligations to the public funds account are deposits, such as a security deposit paid for use of an office or other facility, or for a utility, originally paid from the public funds account. Also included are known overpayments made from public funds for which a refund has not yet been received.

A third type of debt owed to the public funds account is money owed to the committee from the sale of committee assets that were originally purchased with public funds.

**The committee should not include monies applied for but not yet received from the State Campaign Fund, as these are not debts owed to the committee.**

- Debts and Obligations Owed to the Private Funds Account

Debts owed to the private funds account, are treated the same as those owed to the public funds account. Payment of a debt or obligation to the private funds account will be a credit to either the expenditure limitation or the exempt 39a category, depending upon the purpose of the original expenditure. For example, if the original expenditure was a deposit for a facility for a fund raising event that was subject to the expenditure limitation, the refund of the deposit would be a credit to the expenditure limitation.

## **209 DEBTS AND OBLIGATIONS OWED BY THE COMMITTEE**

Debts or obligations owed by the committee may be subject to the expenditure limitation or exempt from limitation. If an expenditure of money would fall into a particular category, then a debt incurred for the same purpose would fall into the same category.

A debt or obligation that resulted from a loan to the committee was either a contribution from a person or a loan from a financial institution. A loan from a person is also considered to be a contribution and is subject to contribution limits. When the committee repays a loan from a person, the repayment results in a reduction of that person's cumulative contributions. If a debt owed by the committee is forgiven or is repaid by someone other than the committee, the repayment or forgiveness becomes an in-kind contribution (also subject to the contribution limits) from the person repaying it or forgiving the debt. A debt owed by the committee to a corporation, labor organization, Indian tribe or a person holding more than a 1% interest in one of the Detroit casinos could not be forgiven because the forgiveness would then constitute a prohibited in-kind contribution. Also note that none of these entities is permitted to pay off a debt for a Candidate Committee.

Accrued wages and unpaid withholdings for FICA, FUTA, income taxes, etc., are also debts owed by the committee and must be reported by the committee on the Debts and Obligations Schedule. The category for the debt is determined by the duties of the committee employee. For example, the withholding for a person whose duties are strictly the preparation of campaign statements and public funding applications may be exempt under Rule 39a, as is the expenditure to pay that person's wages.

The committee may repay debts or obligations that are subject to limitation with either public or private funds, or a combination of both. However, if the committee wants to categorize an expenditure as exempt from expenditure limitation, it must be made with private funds only. The only debt that can be repaid with public funds is a bank loan for which the committee has received special written permission from the Bureau of Elections. (See Section 203, Exempt Miscellaneous.)