

MICHIGAN DEPARTMENT OF STATE

RICHARD H. AUSTIN

SECRETARY OF STATE

STATE TREASURY BUILDING



LANSING
MICHIGAN 4891

September 2, 1977

Mr. John L. Damstra, Treasurer
Kent County Republican Committee
250 Michigan, N.E.
Grand Rapids, Michigan 49503

Dear Mr. Damstra:

This is in response to your letter of June 6, 1977, addressed to Mr. Bernard Apol, Director of the Elections Division, concerning the applicability of P.A. 388 of 1976 ("The Act") to certificates of deposit purchased by a political party committee.

You state in your letter that all funds received by the committee are deposited in the committee's official depository and that all expenses incurred by the committee are paid by check from this account or, as provided by law, from the petty cash fund. You also indicate that the committee has purchased certificates of deposit from a bank other than the official depository and that these certificates of deposit were purchased by check drawn on the official account of the committee.

The issue presented is whether a committee may transfer funds from the account in the official depository to a certificate of deposit or other interest bearing account in the same or in another financial institution.

Section 2(3) of the Act requires a committee to designate an account in a financial institution in this state as its official depository for the purpose of depositing all contributions which it receives and for the purpose of making all expenditures. The Act mandates that all contributions and expenditures pass through one account at the designated official depository.

However, the Act in Section 28(1) contemplates that a committee may receive interest on an account consisting of funds belonging to the committee. The mere transfer of funds deposited in the official depository to an interest bearing account for investment purposes is not an "expenditure" as defined in Section 6 of the Act. Thus, the Act would not preclude a transfer from the official depository account to an interest bearing account in any financial institution if the committee retains complete control of the funds at all times and full disclosure is made.

In order to assure compliance with the reporting requirements of the Act and the funneling of all contributions and expenditures through one account at the official depository, the Department requires:

- (1) That all funds transferred out of the designated official depository account to any savings account, certificate of deposit, or other interest bearing account be eventually transferred back into the official account.
- (2) That no expenditures be made from any funds transferred to an account other than the official depository account.
- (3) That any interest earned from an account consisting of funds belonging to the committee be reported timely on the required reports of the committee pursuant to Section 28(1).
- (4) That the committee's supporting records for cash on hand reflect the cash balances in all accounts and all transfers of funds between these accounts.
- (5) That the committee's required reporting for cash on hand reflect the cash balances in all accounts consisting of funds belonging to the committee.

This response constitutes a declaratory ruling concerning the application of the Act to the specific factual situation set forth in your letter.

Very truly yours,

Richard H. Austin
Secretary of State

RHA:mc