MICHIGAN DEPARTMENT OF STATE

RICHARD H. AUSTIN • SECRETARY OF STATE

STATE TREASURY BUILDING

LANSING
MICHIGAN 48918

September 27, 1978

Mr. Carl Smith, Jr.
LAW-PAC
P.O. Box 489
Bay City, Michigan 48707

Dear Mr. Smith:

This is to respond to your June 30, 1978, request for a ruling concerning the applicability of the Campaign Finance Act, P.A. 388 of 1976, as amended ("the Act"), to a separate segregated fund of a nonprofit corporation.

You state the following factual situation:

> "The State Bar of Michigan maintains a duly registered political action committee. It is a non-profit corporation segregated fund.
>
> "There are some 75 to 100 local bar associations within Michigan which are unincorporated associations. Lawyers belong to these local bar associations and the dues money collected by those local bar associations consist mainly of non-corporate checks, but there are a few professional corporation checks.
>
> "The question which we have is, can these local bar associations make contributions in their own name to the State Bar segregated fund using the monies from their treasury? If there is pollution of the local bar association revenues by the professional corporation checks, can this pollution be cured by segregating into two bank accounts the dues money? In other words, bank account #1 will have deposited into it only professional corporation checks and bank account #2 will have deposited into it only non-corporate checks. The contributions will be made by the association to the State Bar of Michigan's segregated fund only from the non-corporate check funds."

Section 55 of the Act (MCLA § 169.255) provides (in part):

> (1) A corporation of joint stock company formed under the laws of this or another state or foreign country may make an expenditure for the establishment and administration and solicitation of contributions to a separate segregated fund to be used for political purposes. A fund established under this section shall be limited to making contributions to, and expenditures on behalf of, candidate committees, ballot question committees, political party committees, and independent committees.

(2) Contributions for a fund established by a corporation or joint stock company under this section may be solicited from any of the following persons or their spouses:

(a) Stockholders of the corporation.

(b) Officers and directors of the corporation.

(c) Employees of the corporation who have policy making, managerial, professional, supervisory, or administrative nonclerical responsibilities.

(3) Contributions for a fund established under this section by a corporation which is nonprofit may be solicited from any of the following persons or their spouses:

(a) Members of the corporation who are individuals.

(b) Stockholders of members of the corporation.

(c) Officers or directors of members of the corporation.

(d) Employees of the members of the corporation who have policy making, managerial, professional, supervisory, or administrative nonclerical responsibilities."

Section 55 permits a corporation to make an expenditure for the establishment, administration and solicitation of contributions to a separate segregated fund to be used for political purposes. The statute expressly relates persons who may be solicited for contributions to a fund to the corporation which established the fund.

The Attorney General discussed the establishment of a separate segregated fund by a corporation in Opinion of the Attorney General, OAG No. 5344, issued July 20, 1978. In addressing the question as to whether a separate segregated fund established by one corporation may contribute to a separate segregated fund established by a second corporation, the Attorney General ruled in the negative. This conclusion was based on the statutorily restricted sources of contributions to a fund, i.e., shareholders, officers and directors, and managerial and supervisory employees of the corporation which establishes the fund. The Attorney General stated: "No other person, except spouses of the foregoing individuals, may contribute to the 'separate segregated fund'." In the instance of a fund established by a nonprofit corporation, contributions may be received from members of the corporation who are individuals and their spouses.

Consequently, it is possible that local bar associations may not contribute any funds, regardless of their source, to LAW-PAC. The latter is statutorily restricted as to its source of funds to those provided in Section 55(3) of the Act. However, before answering this question definitively, additional information, which was not provided in your letter, is necessary.

This response may be considered as informational only and not as constituting a declaratory ruling.

Very truly yours,

Phillip T. Frangos

Phillip T. Frangos, Director
Office of Hearings and Legislation

PTF:pj