

MICHIGAN DEPARTMENT OF STATE

RICHARD H. AUSTIN

SECRETARY OF STATE

STATE TREASURY BUILDING



LANSING

MICHIGAN 4891

August 1, 1978

448-1

Mr. William E. Hazel, Jr.
Life Underwriters Political Action Committee-Michigan
P.O. Box 14193
Lansing, Michigan 48901

Dear Mr. Hazel:

This is in response to your request for an interpretation concerning the applicability of the Campaign Finance Act, P.A. 388 of 1976 ("the Act"), to certain corporate activity. Specifically, you inquire whether a corporation is permitted to make disbursements or contributions for the establishment, administration or solicitation of contributions for a political action committee not formed by the corporation.

The statutory provisions which govern corporate involvement in the financing of campaigns are Sections 54 and 55 of the Act (MCLA §§ 169.254-169.255). These provisions state:

"Sec. 54. (1) Except with respect to the exceptions and conditions in subsections (2) and (3) and section 55, and to loans made in the ordinary course of business, a corporation may not make a contribution or expenditure or provide volunteer personal services which services are excluded from the definition of a contribution pursuant to section 4 (3) (a).

(2) An officer, director, stockholder, attorney, agent, or any other person acting for a corporation or joint stock company, whether incorporated under the laws of this or any other state or foreign country, except corporations formed for political purposes, shall not make a contribution or expenditure or provide volunteer personal services which services are excluded from the definition of a contribution pursuant to section 4 (3) (a).

(3) A corporation or joint stock company, whether incorporated under the laws of this or any other state or foreign country, except a corporation formed for political purposes, shall not make a contribution or provide volunteer personal services which services are excluded from the definition of a contribution pursuant to section 4 (3) (a), in excess of \$40,000.00, to each ballot question committee for the qualification, passage, or defeat of a particular ballot question.

(4) Nothing in this section shall preclude a corporation or joint stock company from making an independent expenditure in any amount for the qualification, passage, or defeat of a ballot question. A corporation making an independent expenditure under this subsection shall be considered a ballot question committee for the purposes of this act.

(5) A person who knowingly violates this section is guilty of a felony and shall be punished by a fine of not more than \$5,000.00 or imprisoned for not more than 3 years, or both, and if the person is other than an individual, the person shall be fined not more than \$10,000.00.

Sec. 55 (1) A corporation or 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.

(4) Contributions shall not be obtained for a fund established under this section by use of coercion, physical force, or as a condition of employment or membership or by using or threatening to use job discrimination or financial reprisals.

(5) A person who knowingly violates this section is guilty of a felony and shall be punished by a fine of not more than \$5,000.00 or imprisoned for not more than 3 years, or both, and if the person is other than an individual, the person shall be fined not more than \$10,000.00."

A corporation is restricted from making a contribution or expenditure unless it qualifies for an exception pursuant to Section 54 or proceeds within the provisions of Section 55. Since your question is concerned with activity governed by Section 55, this interpretation is limited to a consideration of Section 55, and not to activities contemplated by Section 54.

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. Among the questions he addressed were the following:

1. May a separate segregated fund established by one corporation contribute to a separate segregated fund established by a second corporation?
2. May a corporation establish more than one separate segregated fund?

The Attorney General responded to the first question by ruling a separate segregated fund established by one corporation may not contribute to a separate segregated fund established by another corporation. 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 response to the second question, the Attorney General stated that a corporation may only establish one separate segregated fund. In support of this conclusion, he cited specific provisions of the Act and made references to the legislative history of corporate involvement in elections.

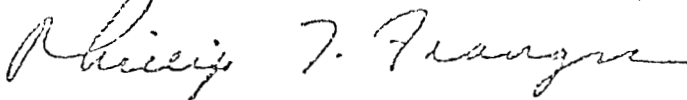
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As noted previously, Section 55 is the exclusive statutory authorization for corporate involvement with a separate segregated fund. The Attorney General has decided: (1) one corporation may not contribute to another corporation's separate segregated fund, and (2) a corporation may only establish one separate segregated fund.

In view of the foregoing, it is concluded Section 55 does not permit a corporation to make disbursements or contributions for the establishment, administration or solicitation of contributions for a political action committee formed by another corporation.

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

Very truly yours,



Phillip T. Frangos, Director
Office of Hearings and Legislation

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