

MICHIGAN DEPARTMENT OF STATE

RICHARD H. AUSTIN

SECRETARY OF STATE

STATE TREASURY BUILDING



LANSING

MICHIGAN 48918

October 23, 1981

Honorable William Faust
Michigan State Senate
State Capitol Building
Lansing, Michigan 48909

Dear Senator Faust:

This is in response to your inquiry regarding the Campaign Finance Act (the "Act"), 1976 PA 388, as amended.

Your question is articulated as follows:

"Would you please tell me what the procedure is for a candidate reporting campaign expenditures when the expenditures are for the purpose of participating in a joint rally."

"By 'joint rally,' I mean an event for the purpose of promoting the candidacy of two or more candidates for public offices. The event would not be to raise funds for any candidate. There would be no proceeds realized by any candidate. All financial transactions concerning the rally would be in payment for the expenses incurred to hold the event."

"There are two factors I feel you should be aware of before you respond."

"First, the total of the expenses for such a rally may not be known until after the event. Therefore, the best method of recording and reporting these expenditures would be perhaps to have one candidate, by agreement with the other candidate(s), incur all expenses and then be reimbursed proportionately by the other candidates once the total of the expenses for the rally is known."

"Secondly, the proportion of the total expense for the joint rally assumed by each participating candidate would be in direct proportion to the benefit each candidate received. But, because candidates with constituencies of varying sizes (such as candidates for the U.S. Congress, the State Senate, the State House of Representative, a county commission) might benefit from the same rally, the proportion of benefit received by each would be perhaps best determined by the participating candidate in a written agreement. Due to overlapping districts and permutations of candidates possible at a single event, the development of a general expenditure proportion formula for joint rallies would seem to be objectively impossible and impractical. Reasonable proportions developed by the participating candidates for each rally would seem to be the feasible approach and would comply with the general intent of the Campaign Finance Act, which is financial disclosure."

A joint rally is not a "fund raising event," as defined in section 7(4) of the Act (MCL 169.207), so long as contributions are not "solicited or received by purchase of a ticket, payment of an attendance fee, donations or chances for prizes, or through purchase of goods or services." However, guidelines previously developed by the Department regarding the recording and reporting of expenditures incident to joint fund raising events are useful in answering your question.

In a letter to Mr. Michael W. Hutson, dated September 20, 1978, the Department stated that prior to conducting a joint fundraiser, the participants should execute a written agreement indicating, among other things, the proportional share of expenditures to be delegated to each committee and the manner of payment for expenses attributable to the event. It was suggested that one committee may be designated to pay all expenses for the event and then subsequently be reimbursed by the other committees. Otherwise, each committee may pay its proportionate share of each expense as it arises.

Similarly, expenses incident to a joint rally should be allocated by written agreement prior to the event. Such an agreement may provide that one candidate "incur all expenses and then be reimbursed proportionately by the other candidates once the total of the expenses for the rally is known."

Section 44(2) of the Act prohibits a candidate committee from making a contribution to the candidate committee of another candidate. When candidate committees enter into an agreement to share the expenses of a joint rally, they can insure compliance with the Act by agreeing to share expenses equally. However, an agreement can base the sharing of expenses on some other criterion. In your letter you indicate an intent to compute expenses for the rally on the basis of the relative size of each participant's potential constituency. Like equal sharing of expenses this would insure that no candidate committee would be paying a disproportionate share of the expenses of the rally.

The recording and reporting of expenditures relating to the joint rally must meet all of the requirements of the Act. In addition, if the agreement executed by the participating candidates designates a committee to pay all expenses for

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which reimbursement will be provided by the other committees at a later time, the designated committee must itemize all expenditures over \$50.00 associated with the rally. The committee must indicate the expenditure was made for a joint rally. When the committee making the expenditure receives reimbursement, it should report the reimbursement as "other receipts" in connection with a joint rally.

If a committee is obligated to make reimbursement, it must report the total reimbursement as an expenditure. Also, each expenditure over \$50.00 which is included within the total reimbursement must be itemized.

Finally, if it is agreed in writing that each committee will pay its proportionate share as each expenditure arises, each committee must itemize its share of the expenditure if that share exceeds \$50.00.

This response is informational only and does not constitute a declaratory ruling.

Very truly yours,



Phillip T. Frangos
Director
Office of Hearings and Legislation

PTF/cw