

MICHIGAN DEPARTMENT OF STATE

RICHARD H. AUSTIN • SECRETARY OF STATE

STATE TREASURY BUILDING


 LANSING
 MICHIGAN 48918

October 31, 1984

 Mr. David A Lambert
 639 N. Hayford
 Lansing, Michigan 48912

Dear Mr. Lambert:

You have requested an interpretative statement under the Campaign Finance Act (the "Act"), 1976 PA 388, as amended, regarding hypothetical questions to clarify an interpretative statement issued to you on September 21, 1983.

The initial issue you raise is:

"May a political party committee hold a fundraiser at which it uses a program booklet to sell advertising to corporations, if the proceeds (if any) from said program advertising are segregated into an account for non-campaign purposes? Or, does the fundraising event have to be held for the sole purpose of raising money for non-campaign purposes."

As indicated in the September 21, 1983, letter, section 6 of the Act (MCL 169.206) states, in part, "'Expenditure' means a payment . . . of money . . . for . . . services . . . in assistance of . . . the nomination or election of a candidate, or the qualification, passage, or defeat of a ballot question." The letter went on to state:

"Funds received from corporations cannot be used in assistance of a candidate. Because the purchase of an advertisement assists the recipient, a corporation may not purchase an advertisement in a program book, ad book, or newsletter which supports or opposes candidates. While it is conceivable a political party committee could publish a newsletter which does not support or give assistance to a candidate ("candidate" includes all incumbents), this seems unlikely. If a political party committee wants to designate a specific

fundraiser or method of fundraising as being for non-campaign purposes, it may do so and accept corporate contributions. But it may not merely pull corporation contributions out of the receipts for a fundraiser (or for newsletter ads), and put the corporate funds into a separate account. If a newsletter which does not support a candidate or ballot question could somehow be published, a political party committee could designate all advertising income for a separate account for non-campaign purposes." (emphasis added)

Unlike other types of committees, political party committees are not required to file separate reports for fundraisers. Political party committees report contributions received at a fundraiser and expenditures made to hold the fundraiser the same as all other contributions and expenditures. A political party committee must report contributions received or expenditures made when the contributions and expenditures involve fundraising for campaign purposes. Receipts and disbursements resulting from non-campaign fundraising are not contributions and expenditures and should not be reported under the Act.

As indicated in the quote above, a political party committee may designate a "method of fundraising as being for non-campaign purposes". A fundraiser is a method of fundraising. The entire fundraiser may be designated for non-campaign purposes, in which case corporate contributions would be accepted and none of the fundraiser's receipts or expenses would be reported by the political party committee. Alternatively, all or part of the fundraiser's receipts could be used for campaign purposes, no corporate contributions could be received in connection with the fundraiser, and the political party committee would report only those receipts and expenditures which are or will be used for campaign purposes. However, a fundraiser may not be split between campaign and non-campaign purposes with corporate contributions received and channeled to non-campaign purposes. Just as an officeholder expense fund which receives corporate money is "tainted" and may not purchase tickets to candidate fundraisers, a political party committee's method of fundraising may not commingle corporate and non-corporate funds and be utilized in candidate elections.

In conclusion, a political party committee may not have a program booklet for which corporate funds are received in connection with a fundraiser which otherwise is used to raise campaign funds.

The second issue you have raised is whether corporate funds may be used by political party committees in certain identified instances. Specifically, you asked:

"I would also like to know if a political party committee may use corporate contributions for any of the following:

1. For the purchase of office supplies such as stationery, envelopes, etc.
2. For office expenses such as telephone, fire and/or liability insurance?

3. For the rental of or purchase of a party office/headquarters?
4. For covering the costs of party officers to attend party-related meetings or events (travel, lodging, and meals)?
5. For legal and/or accounting expenses associated with compliance with the campaign finance law?
6. For wages and employee-related expenses (such as unemployment and workers compensation insurance) for party employees?
7. For the payment of ad valorem property taxes on any property owned by the party?
8. For the expenses associated with the maintenance of membership records such as computer record-keeping costs?
9. For the purchase of such office items as computers, copying machines, office furniture, and filing cabinets?

It is appropriate to consider what procedures are available under the Federal Election Campaign Act in similar fact situations. The Federal Election Commission (the "FEC") has promulgated rules which allow allocation of expenditures among candidates and allocation of a candidate's travel expenses between campaign and non-campaign purposes (UCFR 106.1-106.4). The FEC has extrapolated from these rules which allow allocation of expenditures in specific instances to create, by advisory opinion, allocations of corporate and union treasury funds between federal and state expenditures. The FEC stated in AO 1978-10 that federal get-out-the-vote and voter registration drives may not be paid for with corporate or union funds, but those same efforts directed to non-federal elections could be supported by corporate or union funds unless prohibited by the state. When corporate and union involvement is not prohibited by state law, the FEC rules the costs of get-out-the-vote and registration drives should be allocated between federal and non-federal elections in a manner similar to rules 106.1 through 106.4.

In AO 1978-46 the FEC continued with this approach in ruling corporate and union contributions to a party convention, such as the purchase of advertising and exhibition space, are permissible only if they can be apportioned to state and local candidates. Allocation of corporate and union contributions to non-federal expenditures at a national party conference and workshop was approved more recently in AO 1982-5.

These decisions by the F.E.C. permitting allocation between federal and nonfederal campaigns were made in a context that differs from that presented here. Political party organizations traditionally carry on joint federal-state campaigns. The same party activists and voters participate in the simultaneous election of public officials at all levels. The F.E.C. Advisory Opinions and regulations covering allocation are a recognition of this fact.

Campaign and non-campaign activities of Michigan party organizations can be carried on independently. Unlike integrated campaign efforts it is feasible for a party to separate its non-campaign activities from the major function of the party, helping elect its nominees to public office.

Neither the Act nor the Department's rules expressly or impliedly permit allocation. In addition, corporate involvement in elections, which was prohibited in Michigan prior to adoption of the Act, is strictly controlled by sections 54 and 55 of the Act, MCL 169.254 and 169.255. Since the major objective of any political party is to nominate and elect its member to local, state, and federal office, and corporations are prohibited from using treasury funds to influence Michigan and federal candidate elections, there are very few instances where corporations may contribute to political party committees.

Corporate funds may be used for office supplies and expenses, if the supplies and expenses (telephone, heat, lights, etc.) are used or incurred exclusively for non-campaign purposes. Similarly, the rental or purchase of office space and the payment of attendant insurance premiums and property taxes may be made with corporate funds, provided the space is used only for non-campaign purposes. However, an office, a telephone or stationery which is used even occasionally for campaign purposes, such as soliciting support for a candidate or fundraising, which will be used for campaigning may not be purchased or rented with funds commingled with corporate money.

Whether corporate funds may be used to pay party officers attending party related meetings depends upon the purpose of the meeting. For example, corporate funds may be used to pay party officer costs at an odd year party convention where the only business conducted is electing party officers and passing rules and resolutions, but corporate funds may not be used if people are nominated for state or local office at the convention. (See the August 21, 1979, declaratory ruling issued to Mr. Richard D. McLellan which is attached.)

Legal or accounting expenses associated with Campaign Finance Act compliance may not be paid with funds containing corporate contributions. The only exception to this would be when a political party created a ballot question committee which incurred legal or accounting expenses because section 54(3) permits a corporation to contribute up to \$40,000 to a ballot question committee.

Wages and expenses of party employees who work exclusively in non-campaign activities may be paid with corporate contributions; otherwise, corporate funds may not be used for employee wages, expenses, and benefits.

While membership records may be used for non-campaign purposes, they are also maintained and utilized for the purpose of influencing elections, thus they are expenditures which cannot be paid with corporate funds.

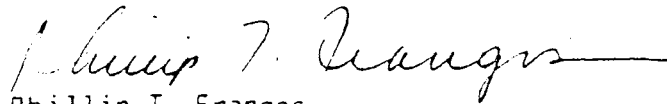
Office equipment, e.g., computers, copiers, furniture, and file cabinets, are treated the same as office supplies, office space, and related insurance and property taxes as discussed above.

In summary, political parties may receive and spend money from corporations for activity which is exclusively outside the Act. In addition, a political party ballot question committee (as distinguished from the "political party committee"

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as defined in section 11(5) of the Act, MCL 169.211) may receive corporate contributions consistent with section 54 of the Act, MCL 169.254, without either the committee or the corporation violating the Act.
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