

# Campaign Finance

## GLOSSARY

### Election cycle

*For a general election, the period beginning the day following the most recent general election in which the office appeared on a ballot and ending on the day of the general election in which the office next appears on the ballot; for a special election, the period beginning the day a special general election is called or the date the office becomes vacant, whichever is earlier, and ending on the day of the special general election.*

### “Hard” money

*Funds donated to a candidate; sources and expenditures must be disclosed.*

### Political action committee (PAC)

*A group formed by a business, labor, corporation, domestic dependent sovereign (i.e., Indian tribe), or other special-interest group to raise money and make contributions to the campaigns of political candidates that they support. PACs are regulated under the rules pertaining to independent committees.*

### “Soft” money

*Funds used for so-called “issue” advertising that usually infers that a candidate is on the “right” or “wrong” side of an issue; because the money is not contributed to a candidate, and s/he has no say in how it is used, the contributors’ names and how the money is spent do not have to be disclosed.*

## BACKGROUND

Michigan’s campaign finance laws, dating to the mid-1970s, require public disclosure of and set limits on many political contributions. Records for state offices are filed with the Bureau of Elections in the secretary of state’s office in Lansing. They may be reviewed in person, and beginning on May 1, information that has been electronically filed may be viewed on the Internet ([www.sos.state.mi.us/election/elect.html](http://www.sos.state.mi.us/election/elect.html)).

There are six types of political fund-raising organizations, or committees.

- *Candidate committees* raise and spend money to nominate and elect a candidate to statewide, state legislative, or local office. Candidates for federal office are exempt because they are governed by federal law.
- *Political party committees* fund county, congressional district, or state central political parties, such as the Republicans and Democrats.
- *Ballot question committees* are organized to gather signatures for or promote or oppose ballot referenda, such as local millage questions, state referenda or initiatives, or proposed amendments to the state constitution.
- *Independent committees* are committees that form earlier than six months before an election, receive funds from 25 or more contributors, and give to three or more candidates; most are funded by special interests. Although these commonly are referred to as political action committees (PACs), there is no such designation in law.
- *Political committees* typically are relatively small political action committees that support or oppose one or only a few candidates; they usually are formed locally.
- *Caucus committees* are groups within a legislative body representing a specific political party caucus—e.g., the House Democratic Caucus or the Senate Republican Caucus. They may support candidates for the state legislature, but they are prohibited from being involved in contested primary elections (the nominating process for state legislators) or judicial contests.

Only candidates for governor (and their running mates—in Michigan they run as a team, with a joint campaign) who are accepting public funds are limited as to their expenditures. Candidates for all other offices have no spending limitations, but they are restricted to how much they may receive from donors (individual or committee). The limits vary; the exhibit shows the maximum an individual or committee may contribute to candidates for various offices.

## Election Cycle Contribution Limits, Michigan

Office	Individuals and Political Committees	Independent Committees (includes PACS)	Caucus Committees	District or County Political Party Committees	State Political Party Committees
Governor and Lt. governor (with public funding)	\$3,400	\$34,000	\$34,000	\$30,000	\$750,000
Governor and Lt. governor (without public funding)	3,400	34,000	34,000	34,000	68,000
Secretary of state, attorney general, or statewide education post	3,400	34,000	34,000	34,000	68,000
State Senate	1,000	10,000	Unlimited	10,000	10,000
State House of Representatives	500	5,000	Unlimited	5,000	5,000
Local and judicial offices in jurisdictions of 250,000 or more	3,400	34,000	NA	34,000	68,000
Local and judicial offices in jurisdictions of 85,001–250,000	1,000	10,000	NA	10,000	20,000
Local and judicial offices in jurisdictions of 85,000 or less	500	5,000	NA	5,000	10,000

SOURCE: Public Sector Consultants, Inc.

NA = Not applicable; caucus committees are prohibited from contributing to judicial candidates.

Under Michigan campaign finance law, the following are prohibited:

- Cash contributions exceeding \$20 and all anonymous donations; if the latter are received, they must be turned over to a charitable organization
- Contributions exceeding \$100 from one candidate committee to another (contributions of \$100 or less from one candidate committee to another may be used only to attend the candidate's fundraiser)
- Contributions from corporations, joint stock companies, labor organizations, or Indian tribes to parties or candidates (however, these entities—and individuals—may give an unlimited amount to ballot-question committees)

There is no limit on the amount of money candidates may give themselves from their own personal resources, except in the case of gubernatorial candidates who are accepting public funds—in which case,

the candidate and his/her immediate family are limited collectively to \$50,000 for the election cycle.

As mentioned, in Michigan, public funds are available to gubernatorial campaigns if the campaign meets certain conditions. A state income-tax checkoff (\$3 for an individual taxpayer and \$6 for a joint return) funds much of the gubernatorial campaigns. In the general election, each major-party candidate for governor may receive \$1,125,000 in public funds, providing the campaign agrees to expend no more than \$2,000,000; certain expenditures are not included in the \$2 million limit—e.g., State Police security costs and legal/accounting expenses. In a primary, gubernatorial candidates may qualify for up to \$990,000 in public funds that match individual contributions of \$100 given after April 1 in the year before the election or in the year of the election.

Until 1994 elected officials were permitted to maintain Officeholder Expense Funds from which they could pay

incidental office expenses. These funds were prohibited under Public Act 411 of 1994.

### DISCUSSION

The costs of a campaign (expenses such as paid advertising, polling, travel, and staff) have risen sharply. A hotly competitive state Senate race may cost each candidate \$500,000 or more; similarly, a state House campaign may require \$200,000 or more. Television advertising, which is expensive, has become the dominant means by which many candidates reach voters. Nationally, of \$30 billion spent on all TV advertising in 1996, about \$400 million was spent on political messages.

Many people see little problem with the amount of money being spent on campaigns. They argue that the First Amendment to the U.S. Constitution, which guarantees free speech, accords everyone an unfettered right to advocate beliefs and try to persuade voters. They point out that political advertising still lags far behind that for commercial products, such as automobiles and beer, and the democratic electoral process is at least as important as any commercial product.

Others worry that candidates are too beholden to their contributors, which increasingly are PACs formed by business, labor, and professional organizations that fund candidates and also lobby in the state capitol, city halls, and county courthouses. The U.S. Supreme Court has ruled that PACs are protected by the First Amendment and thus may not be excluded from political activity.

Still, some observers would like to reduce links between PACs and officeholders and candidates. Proposals to accomplish this include (1) limiting the period for accepting PAC funds to April–December of an election year; (2) restricting the total amount that a candidate may accept from PACs to no more than 50 percent of the candidate's total contributions; (3) for legislative candidates, requiring half of all contributions to come from the legislative district they would represent; (4) requiring PACs to disclose the name of the sponsoring

organization (many take generic, right-minded titles such as Citizens for Good Government); and/or (5) requiring PACs to inform their contributors of the candidates supported and amounts given.

The Michigan secretary of state has proposed administrative rules to

- prohibit any unit of government from paying an elected official who failed to file all required financial statements,
- allow political parties to coordinate campaign expenditures with their candidates (this would eliminate the parties' independent expenditures),
- grant the Department of State subpoena power in investigating campaign finance wrongdoing, and
- mandate that campaign finance reports be electronically filed (this would expedite release of information to the public and media).

A concern to many is the increasing use by corporations, labor unions, associates, Indian tribes, and political parties of *soft money*. Soft money is used for so-called "issue" advertising that infers that a candidate is on the "right" or "wrong" side of an issue. Because the money was not contributed to the candidate, and s/he has no say in how it is used, the contributors' names and how the money is spent do not have to be disclosed. Soft money then falls outside the reach of state and federal campaign-finance laws. (*Hard money* is that donated directly to a candidate and spent directly in his/her behalf; it must be fully disclosed.) Fearing soft-money use in state elections will increase, some policymakers propose that full disclosure be required on sources/expenditures for any funds used for paid advertising that refers to a candidate and runs 45 or fewer days prior to an election. Opponents question the constitutionality of such a requirement and also worry that exempting some nonprofit groups formed to champion particular issues, as some propose, would lead to different standards and potential bias.

Some groups, such as Common Cause, believe that tinkering with campaign finance laws only will lead

groups and candidates to invent loopholes to circumvent restrictions. They contend that public funds, supported through taxpayer contributions, should finance all or most campaigns. Their reasoning is that if candidates, such as those running for governor and accepting public funds, no longer needed PAC contributions or big gifts from individuals, they would be freer from the influence of special interest groups.

**FOR ADDITIONAL INFORMATION**

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[www.sos.state.mi.us/election](http://www.sos.state.mi.us/election)

League of Women Voters of Michigan  
 200 Museum Drive, Suite 104  
 Lansing, MI 48933  
 (517) 484-5383  
 (517) 484-3086 FAX  
[www.mlc.lib.mi.us/~lwvmi](http://www.mlc.lib.mi.us/~lwvmi)

Michigan Democratic Party  
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Michigan Republican Party  
 2121 East Grand River Avenue  
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[www.migop.org](http://www.migop.org)

Michigan Voters for Clean Elections  
 Common Cause in Michigan  
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