

## ALLOW USE OF PUBLIC RESOURCES FOR PAYROLL DEDUCTION PLANS UNDER CAMPAIGN FINANCE LAW

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**House Bill 4234 as introduced**  
**Sponsor: Rep. Penelope Tsernoglou**  
**Committee: Elections**  
**Revised 5-17-23**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 4234 would amend the Michigan Campaign Finance Act to allow the use of public resources to establish or administer payroll deduction plans for contributions to campaign committees, to allow labor organizations to make expenditures without becoming committees, and to allow divisions of labor organizations to be considered individual committees for the purpose of certain campaign finance regulations.

#### Payroll deduction plans

Under the Michigan Campaign Finance Act, a public body or a person acting on its behalf generally cannot use or authorize the use of public resources to make an expenditure, make a contribution, or provide volunteer services. The act specifically prohibits public bodies from using public resources to establish or administer a payroll deduction plan for contributions to or expenditures for a committee, including reimbursements or advance payments made to a public body to cover the costs of the use of the resources.

House Bill 4234 would allow this use of public resources, as long as a sufficient advance payment or reimbursement is made to cover the costs. It would also remove provisions that currently allow a person that alleges a use of public resources to establish or administer a payroll deduction plan for campaign purposes to bring a civil action against the public body or person acting on its behalf.

Additionally, the Michigan Campaign Finance Act allows a *connected organization* to solicit or obtain contributions for a separate segregated fund on an automatic basis, including through a payroll deduction plan, with the contributing individual's consent. A separate segregated fund established by a connected organization must be organized as a political committee or an independent committee. Contributions for a separate segregated fund established by a labor organization can only be solicited from the following individuals or their spouses:

- Members of the labor organization.
- Officers or directors of the labor organization.
- Employees of the labor organization who have policymaking, managerial, professional, supervisory, or administrative nonclerical responsibilities.

***Connected organization*** means either of the following:

- A corporation, joint stock company, domestic dependent, or a labor organization formed under law.
- A member of any of those entities that is not an individual and does not maintain its own separate segregated fund, unless its separate segregated fund and the separate segregated fund of the entity of which it is a member are treated as a single independent committee.

House Bill 4234 would provide that expenditures made to provide for contributions to a separate segregated fund established by a labor organization, such as a payroll deduction plan, are permitted contributions. (Generally, expenditures made by a corporation to provide for the collection and transfer of contributions to a separate segregated fund for which it is not a connected organization are prohibited in-kind contributions unless the expenditures are made in that corporation's ordinary course of business.)

#### Contribution regulations

Currently under the act, a corporation, joint stock company, domestic dependent sovereign, or labor organization may make a contribution to a ballot question committee or an independent expenditure committee, and these entities can make an expenditure in any amount for the qualification, passage, or defeat of a ballot question or for the election or defeat of a candidate. If one of these entities makes an independent expenditure, it is subject to reporting the act's requirements, but it does not for that reason become a committee unless it solicits or receives contributions over \$500 for the purpose of making the independent expenditure.

House Bill 4234 would remove labor organizations from this list. A labor organization would still be subject to reporting requirements but would be able to make an expenditure in any amount without becoming a committee for reason of making an expenditure.

Additionally, the bill would remove, and specifically exclude, labor organizations from the list of entities for which contributions by any political committee or independent committee established by a parent, subsidiary, branch, division, department, or local unit of that entity are considered to be made by a single independent committee for the purposes of the contribution limits that generally apply to independent committees and persons other than independent committees or political party committees.<sup>1</sup> The list currently includes corporations, joint stock companies, domestic dependent sovereigns, and labor organizations.

Political committees and independent committees established by each of the following would no longer be treated as a single independent committee established by a labor organization or a union:

- A single national or international labor organization.
- A labor organization or any other subordinate organization of that national or international labor organization.

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<sup>1</sup> The limits for 2023 can be found here: <https://www.michigan.gov/sos/elections/disclosure/cfr/contribution-limits>.

- An organization of national or international unions.
- A state or local central body of an organization of national or international unions.
- Any combination of these bodies.

Each of these bodies could be considered a separate independent committee under the bill.

MCL 169.252 et seq.

**FISCAL IMPACT:**

The bill would have no direct fiscal impact on the state or local units of government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.