

# Legislative Analysis



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

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

House Bill 4234 (H-1) as reported from committee

Sponsor: Rep. Penelope Tsernoglou

Committee: Elections

Complete to 10-14-23

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

*(Enacted as Public Act 244 of 2023)*

### 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 and to remove other restrictions on the use of payroll deduction plans for political contributions.

#### Public bodies

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 remove the prohibition on the use of public resources to establish or administer a payroll deduction plan, and it would allow a payroll deduction plan to be set up by a public employer for a consenting individual's contributions to a separate segregated fund (SSF).<sup>1</sup> An individual's affirmative consent to a payroll deduction would not expire until it is revoked by that individual. Additionally, the bill would amend definition of *payroll deduction plan* to explicitly include public bodies as employers.

The bill 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.

#### Connected organizations

The Michigan Campaign Finance Act allows a *connected organization* to solicit or obtain contributions for an SSF from certain individuals 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.

*Connected organization* means either of the following:

- A corporation, joint stock company, domestic dependent, or a labor organization formed under law.

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<sup>1</sup> A complementary change would be made to 1978 PA 390, the wages and fringe benefits act, by House Bill 4230.

- 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.

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, including reimbursements or advance payments made to cover the costs of the use of the corporation's resources.

House Bill 4234 would remove these provisions.

Definition of contributions and expenditures

Contributions or expenditures made to establish or administer a separate segregated fund or to solicit, collect, or transfer contributions to the SSF are not considered contributions or expenditures under the Michigan Campaign Finance Act if the contribution or expenditure is made by a connected organization of that SSF.

House Bill 4234 would remove the requirement that such a contribution or expenditure be made by a connected organization and would provide that contributions or expenditures made to facilitate contributions to an SSF through a payroll deduction plan also do not qualify as contributions or expenditures.

Currently, the act's definition of an expenditure generally includes the costs of establishing an administering a payroll deduction plan to collect and deliver a contribution to a committee. (It does not, however, include expenditures made for the facilitation of contributions to an SSF, as described above.)

House Bill 4234 would remove this provision and specify that any costs of establishing or administering a payroll deduction plan for contributions to an SSF are not considered expenditures.

MCL 169.204 et seq.

**FISCAL IMPACT:**

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

**POSITIONS:**

Representatives of the following entities testified in support of the bill (5-16-23):

- Amalgamated Transit Union
- UAW Local 4911
- UAW Local 2256

The following entities indicated support for the bill (5-16-23):

- AFSCME Council 25
- IBEW Michigan State Conference
- International Union of Operating Engineers Local 324
- Michigan AFL-CIO
- Michigan Education Association
- Michigan Nurses Association
- Michigan Regional Council of Carpenters and Millwrights
- SEIU Michigan

Pure Integrity for Michigan Elections indicated opposition to the bill. (5-16-23)

Legislative Analyst: Holly Kuhn  
Fiscal Analyst: Michael Crossen

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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.