

# Legislative Analysis



## FINANCIAL DISCLOSURE

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

**House Bill 4642 as introduced**  
**Sponsor: Rep. David LaGrand**

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

**House Bill 4643 as introduced**  
**Sponsor: Rep. Graham Filler**

**House Bill 4644 as introduced**  
**Sponsor: Rep. Julie Calley**

**House Bill 4647 as introduced**  
**Sponsor: Rep. Tenisha Yancey**

**House Bill 4645 as introduced**  
**Sponsor: Rep. Mark E. Huizenga**

**House Bill 4648 as introduced**  
**Sponsor: Rep. Steve Marino**

**House Bill 4646 as introduced**  
**Sponsor: Rep. William J. Sowerby**

**House Bill 4649 as introduced**  
**Sponsor: Rep. Yousef Rabhi**

**Committee: Elections and Ethics**  
**Complete to 6-11-19**

## BRIEF SUMMARY:

House Bills 4642 to 4649 would create a series of new acts requiring financial disclosure by elected officials and candidates for those positions, as described below. All eight bills require substantially the same disclosure, including identifying information about the person and his or her immediate family, as well as financial holdings and certain involvement of the person or family member. The acts would take effect May 1, 2020.

- House Bill 4642: State Representative Financial Disclosure Act
- House Bill 4643: State Senator Financial Disclosure Act
- House Bill 4644: Candidate for State Representative Financial Disclosure Act
- House Bill 4645: Candidate for State Senator Financial Disclosure Act
- House Bill 4646: Executive Branch Personal Financial Disclosure Act
- House Bill 4647: Judicial Branch Personal Financial Disclosure Act
- House Bill 4648: University Board Member Financial Disclosure Act
- House Bill 4649: State Board of Education Financial Disclosure Act

All eight bills would require filing of a report with the Bureau of Elections (BOE) detailing specific financial matters.

For the bills covering state representatives and state senators—HBs 4642 and 4643—the person would have to file by May 1 of the year following the year detailed in the report.

For the two bills in which the person filing is a candidate—HBs 4644 and 4645—the person would have to file within 30 days after the later of May 1 or the date on which the individual formed a candidate committee.

For the remaining four bills, the May 1 deadline would apply to a person who was a state official during the calendar year for more than a day; if the person was not a state official, he or she would need to file within 30 days after the later of May 1 or the date on which the individual formed a candidate committee.

The six bills that do not exclusively deal with candidates would require state officials who served more than one day in a calendar year to file a report with the BOE.

In addition, HB 4646 provides that a person who was a candidate for governor would also have to file federal tax returns for the three preceding calendar years with the BOE by June 15.

### Report

The report would have to include all of the following:

- The full name, mailing address, and occupation of the person filing the report.
- The names of the *immediate family of an individual*.
- Employers' names, addresses, and principal activities for the person and the person's immediate family members for the year covered by the report.
- For any source of income of more than \$5,000 in the covered year (either by the person or the person's immediate family members), the source and type of earned income received.
- The source and type of all other income if the total income was more than \$5,000 in the covered year.
- The address of property owned by the person (with the exception of the person's primary residence) if the property had a fair market value of \$50,000 or more.
- A description of stocks, bonds, commodities, futures, shares in mutual funds, or any other forms of securities held by the person or the person's immediate family members if the total value of the security had a fair market value of \$10,000 or more.
- A description of interests in another kind of specified asset if the interest in the asset had a value of \$10,000 or more.
- Certain compensated positions by the person or his or her immediate family members for certain organizations or institutions if the total compensation was \$1,000 or more.
- If the person or his or her immediate family members were required to register as lobbyists, the name, address, and principal activity of persons who gave compensation for lobbying. (For the purposes of this section, *immediate family* would include the parent of the person and the spouse of the person's child.)
- Any interest the person or his or her immediate family had in a legal entity conducting business in Michigan, if the interest had a book value of \$10,000 or more, unless the entity had shares that were listed or traded over the counter or on an organized exchange.

*Immediate family of an individual* would mean a dependent child or spouse of that individual or a person claimed by that individual or that individual's spouse as a dependent for federal income tax purposes.

The report would have to include the holdings of and income from trusts, blind trusts, and other qualifying financial arrangements.

### Information that could be omitted from the report

A person filing a report could omit any of the following:

- Information the person is required to report under the Michigan Campaign Finance Act.
- Information about property or stocks or other forms of securities if all of the following apply:
  - The person filing the report did not have actual knowledge of the item and the item was the sole financial interest and responsibility of the person's immediate family member.
  - The item was not derived from the income, assets, or activities of the person filing the report.
  - The person filing did not derive, or expect to derive, financial benefit from the item.
- An item concerning the person's spouse if the spouse is living separate and apart and his or her intent is divorce or separation, or an item arising from a divorce or separation.
- Compensation from certain publicly held corporations.
- Benefits received under the Social Security Act.

### Requirements for Bureau of Elections

The BOE would have to prepare and make available the appropriate forms and instructions for reports, receive reports, promulgate rules and issue declaratory rulings to implement the act, and conduct investigations of potential violations as needed. Additionally, no later than the due date of reports required under the act, the BOE would have to make the report available free of charge on a designated website, and within three days would have to make the report available for public inspection and reproduction during regular business hours.

### Complaints of violations

A citizen could file a complaint with the BOE alleging a violation of the act, and the BOE would be required to investigate as provided in the Administrative Procedures Act. If the BOE determined there was reason to believe a violation occurred, it would have to forward the results to the attorney general for enforcement, and the attorney general would have to enforce the act against violators. (If the attorney general was the subject of the complaint and the BOE determined there was reason to believe a violation occurred, the BOE would forward the results to the prosecuting attorney for Ingham County.)

### Penalties

A person who failed to file the report as required would have to pay \$25 a day for each of the first 10 business days the report went unfiled and \$50 for each subsequent day, up to a potential maximum of \$5,000.

If a person required to file a report knowingly filed an incomplete or inaccurate report, the individual would be a guilty of a misdemeanor punishable by a fine of up to \$10,000.

A default in the payment of a fee or civil fine under the act could be remedied by any means available under the Revised Judicature Act.

## **FISCAL IMPACT:**

The bills would result in increased costs for additional administrative responsibilities for the Department of State, which would potentially require additional staff members to administer the requirements of the bills. The department estimates up to three additional staff members may be required for:

- Developing forms and instructions for disclosure reports.
- Technology costs for posting information on a website.
- Conducting investigations.

The estimated cost of three FTE positions is estimated to be between \$300,000 and \$375,000 and may require an additional appropriation to the department.

### Department of Corrections and Courts

For Corrections and the Judiciary, the bills would have an indeterminate fiscal impact on the state and on local units of government. The fiscal impact would depend on the number of offenders who would be required to pay late filing fees and/or the number convicted of misdemeanors.

An individual who failed to file a report as required under the bills would be required to pay a late filing fee. An increase in late filing fee revenue would be used by filing officials responsible for collecting fee revenue to offset costs related to administering campaign finance. Also, under the bills, an individual who knowingly filed an incomplete or inaccurate report would be guilty of a misdemeanor punishable by a fine. Any increase in penal fine revenue would increase funding for local libraries, which are the constitutionally designated recipients of those revenues.

The fiscal impact on local court systems would depend on how provisions of the bills affected caseloads and related administrative costs. Increased costs could be offset, to some degree, depending on the amount of additional court-imposed fee revenue generated.

Legislative Analyst: Jenny McInerney  
Fiscal Analysts: Michael Clossen  
Robin Risko

---

■ 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.