

1 **FEDERAL ELECTION COMMISSION**
2
3 **FIRST GENERAL COUNSEL'S REPORT**
4

5 MUR: 7300
6 DATE COMPLAINT FILED: December 7, 2017
7 DATE OF NOTIFICATION: December 11, 2017
8 RESPONSE RECEIVED: February 8, 2018
9 DATE ACTIVATED: June 19, 2018

10
11 EARLIEST SOL: July 5, 2022
12 LATEST SOL: May 3, 2023
13 ELECTION CYCLE: 2016
14

15 **COMPLAINANT:**

Dr. Elinor Burkett

16
17 **RESPONDENTS:**

Jeffrey Beals
Jeff Beals for Congress and Allen Beals in his
official capacity as treasurer

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19
20
21 **RELEVANT STATUTES AND**
22 **REGULATIONS:**

52 U.S.C. § 30101(8)(A)(i), (26)
52 U.S.C. § 30104(b)
52 U.S.C. § 30116(a)(1)(A), (f)
11 C.F.R. § 100.33(a), (b)
11 C.F.R. § 104.3(a)
11 C.F.R. § 110.9
11 C.F.R. § 110.10

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30 **INTERNAL REPORTS CHECKED:**

Disclosure Reports

31
32 **FEDERAL AGENCIES CHECKED:**

Office of the Clerk of the United States House of
Representatives

33
34
35 **I. INTRODUCTION**

36 Complainant, relying on a financial disclosure report filed by congressional candidate,
37 Jeffrey Beals ("Beals"), alleges that Beals did not have sufficient personal funds to make a
38 \$56,000 candidate loan to his campaign on July 5, 2017, and that the Commission should
39 investigate whether that money constituted a prohibited or excessive contribution.¹ Beals and his

¹ Compl. (Nov. 28, 2017).

1 principal campaign committee, Jeff Beals for Congress and Allen Beals in his official capacity as
2 treasurer ("the Committee"), acknowledge that the candidate's June 19, 2017, House Financial
3 Disclosure Report did not disclose the assets used to make the loan, but contend that Beals had
4 sufficient personal funds to make the loan. After receiving the Complaint, Beals amended his
5 2017 Financial Disclosure Report to disclose the previously unlisted bank account used to fund
6 the loan. The Committee later repaid the loan. Under the circumstance of this case, we do not
7 believe that proceeding further would be a prudent use of Commission resources, and
8 recommend that the Commission exercise its prosecutorial discretion and dismiss the
9 allegations.²

10 II. FACTUAL BACKGROUND

11 Beals was a candidate in the Democratic primary for New York's 19th Congressional
12 District in the 2018 election cycle.³ The Committee was his principal campaign committee.⁴ On
13 June 19, 2017, Beals filed his first Financial Disclosure Report with the Clerk of the House of
14 Representatives ("House Financial Report") disclosing no assets or unearned income, and listing
15 his salary as \$40,000 and his wife's salary as \$32,000.⁵

² See *Heckler v. Chaney*, 470 U.S. 821 (1985).

³ Jeffrey Beals, Statement of Candidacy (May 21, 2017). Beals lost the primary election, receiving approximately 13% of the vote. See *Certified Results for the June 26, 2018 Federal Primary Election* at 15, New York State Board of Elections, <https://www.elections.ny.gov/NYSBOE/elections/2018/FederalPrimary/2018CertifiedFederalPrimaryResult.pdf>.

⁴ Statement of Organization, Jeff Beals for Congress (May 21, 2017).

⁵ See Financial Disclosure Report for Jeffrey Beals (Filing ID 10017863), filed June 19, 2017. http://clerk.house.gov/public_disc/financial-pdfs/2017/10017863.pdf. According to his campaign website, Beals previously worked for the Central Intelligence Agency and the State Department, and currently works as a teacher in the Hudson Valley New York area. *Meet Jeff Beals*, Beals for Congress Website, <https://bealsforcongress.com/jeff-beals-life-story/> (last accessed July 6, 2018). The 2017 House Financial Report lists Beals and his wife's salaries for the preceding year at \$17,600 for Beals and \$16,200 for his wife.

1 On July 5, 2017, Beals made a \$56,000 loan to his campaign.⁶ The Committee repaid the
2 loan in a series of payments made between October 2017 and April 2018.⁷

3 Respondents admit that Beals did not disclose the assets he used to make the loan on the
4 House Financial Report he filed about two weeks before making the loan.⁸ The Response states
5 that Beals did not report the bank account because he “intended to loan his campaign the \$56,000
6 . . . and believed that acknowledging assets that would no longer be in his possession and were
7 intended for filings with the Federal Election Commission was contrary to the open and
8 transparent nature of the filing requirements.”⁹ The Response states that the filings “properly
9 reflect the current status of the Candidate and the Committee’s financial position.”¹⁰

10 On April 3, 2018, Beals filed an amendment to his 2017 House Financial Report to
11 disclose that during the period of January 1, 2016, through June 19, 2017, he held a bank account
12 valued between \$50,001 and \$100,000.¹¹ The report does not list the name of the bank,
13 information that the House Financial Disclosure form requires.¹² On May 25, 2018, Beals filed a

⁶ See 2017 Amended October Quarterly Report at 80, 94 (Oct. 18, 2017), <http://docquery.fec.gov/pdf/165/201710189075789165/201710189075789165.pdf>.

⁷ The Committee has disclosed the following loan repayments to Beals: \$6,000 on October 13, 2017, \$22,000 on December 22, 2017, and \$28,000 on April 17, 2018. See 2017 Amended Year-End Report at 50-51 (Mar. 7, 2018), <http://docquery.fec.gov/pdf/387/201803079095649387/201803079095649387.pdf#navpanes=0>; 2018 Pre-Primary Report at 89-90 (June 13, 2018), <http://docquery.fec.gov/pdf/379/201806149113689379/201806149113689379.pdf#navpanes=0>.

⁸ Resp. at 1 (Feb. 8, 2018).

⁹ *Id.* at 1.

¹⁰ *Id.*

¹¹ See 2017 Amended Financial Report for Jeffrey Beals (Apr. 3, 2018), http://clerk.house.gov/public_disc/financial-pdfs/2017/10020105.pdf; *CY 2017 Instruction Guide for Financial Disclosure Statements and Periodic Transaction Reports for Congressional Candidates* at 22, 26, Office of the Clerk, U.S. House of Representatives, available at http://clerk.house.gov/public_disc/financial.aspx.

¹² *Id.*

1 2018 House Financial Report for the period of January 1, 2017, through May 25, 2018,
2 disclosing that he held a bank account valued between \$15,001 and \$50,000.¹³ This report also
3 did not list the name of the bank.¹⁴

4 According to a *Politico* article concerning Beals's loan to his committee, unnamed
5 individuals "suggested that the money might come from his father," Allen Beals, who is also the
6 Committee treasurer, and that there were "consistent rumors" to that effect.¹⁵ According to the
7 article, Beals was asked directly during a campaign appearance if the money was a gift from his
8 father, and he replied that "[o]ur campaign is in full compliance with the FEC."¹⁶

9 III. LEGAL ANALYSIS

10
11 Federal candidates may make unlimited contributions from their own "personal funds" to
12 their authorized campaign committees.¹⁷ The Federal Campaign Act of 1971, as amended (the
13 "Act") and Commission regulations provide that "personal funds" are (a) amounts derived from
14 any asset that, under applicable State law, at the time the individual became a candidate, the
15 candidate had legal right of access to or control over, and with respect to which the candidate had

¹³ See 2018 Financial Disclosure Report for Jeffery Beals (May 25, 2018), http://clerk.house.gov/public_disc/financial-pdfs/2018/10023272.pdf.

¹⁴ *Id.* The 2018 report lists salaries in the amounts of \$32,500 for Beals and \$1,500 for his spouse.

¹⁵ Bill Mahoney, *Congressional Candidate's Filings Raise Questions about Campaign Loan*, POLITICO (April 9, 2018), <https://www.politico.com/states/new-york/albany/story/2018/04/09/congressional-candidates-filings-raise-questions-about-campaign-loan-353762>. The article also quotes the candidate from a February 2018 email in which he claimed he had an ownership interest in a family farm in New York, stating "I do own our farm along with my family," but this asset was not listed on any of his House Financial Reports. A search of property records does not turn up any real estate under Beals's name and the property records for the family farm, Willow Ridge Farm, also do not list the candidate as an owner. See Property Description Report for 174 Canopus Hollow Rd, Putnam Valley, NY, Putnam County Website, (listing Michael Beals and Allen Beals as owners), available at <http://putnam.sdgny.com/propdetail.aspx?swis=372800&printkey=06100000010300000000>.

¹⁶ See Mahoney, *supra* note 15. The article also states that Beals emailed a statement repeating that claim.

¹⁷ 11 C.F.R. § 110.10.

1 legal and rightful title or an equitable interest; and (b) income received during the current
2 election cycle of the candidate, including a salary and other earned income from bona fide
3 employment; dividends and proceeds from the sale of the candidate's stocks or other
4 investments; and gifts of a personal nature that had been customarily received by the candidate
5 prior to the beginning of the election cycle.¹⁸

6 No person, including a candidate's family members, shall make contributions to any
7 candidate or authorized committee with respect to any election which, in the aggregate, exceed
8 the Act's contribution limit, which is \$2,700 during the 2018 election cycle.¹⁹ Moreover, no
9 candidate or political committee shall "knowingly accept" a contribution that exceeds the
10 applicable contribution limit.²⁰ The term "contribution" includes "any gift, subscription, loan
11 advance or deposit of money or anything of value made by any person for the purpose of
12 influencing any election for Federal office."²¹

13 Additionally, the Act requires committee treasurers to file accurate reports of receipts and
14 disbursements.²² These reports must include, *inter alia*, the identification of each person who
15 makes a contribution or contributions that have an aggregate amount or value in excess of \$200
16 during an election cycle, in the case of an authorized committee of a federal candidate, together

¹⁸ 52 U.S.C. § 30101(26); 11 C.F.R. § 100.33(a), (b).

¹⁹ 52 U.S.C. § 30116(a)(1)(A); Price Index Adjustments for Contribution and Expenditure Limitations and Lobbyist Bundle Disclosure Threshold, 82 Fed. Reg. 10904, 10906, https://www.fec.gov/resources/cms-content/documents/fedreg_notice2017-02.pdf. See also *Buckley v. Valeo*, 424 U.S. 1, 51 n.57, 53 n.59 (upholding the constitutionality of contribution limits as to family members).

²⁰ 52 U.S.C. § 30116(f); 11 C.F.R. § 110.9.

²¹ 52 U.S.C. § 30101(8)(A)(i).

²² 52 U.S.C. § 30104(b).

1 with the date and amount of any such contribution.²³ Authorized committees must also report all
2 loans, including those made by the candidate.²⁴ The committee must provide the identity of each
3 person who makes a loan, together with the identity or any endorser or guarantor, and the date
4 and amount of the loan.²⁵

5 It appears that Beals's original 2017 House Financial Report improperly omitted the asset
6 from which he funded the loan to his Committee. House Financial Reports require the candidate
7 to "certify" that the statements "are true, complete, and correct to the best of my knowledge and
8 belief." Because Beals signed, certified, and filed his House Financial Report before he made
9 the loan to his campaign, he should have listed any bank accounts he owned at the time,
10 including the account from which he funded the loan to his Committee. Even if Beals planned to
11 loan money in the account to his campaign in the near future, he cites no authority that would
12 support reporting *no* bank accounts or other assets on his original 2017 House Financial Report,
13 especially as he reported the account on his next House Financial Report and showed a balance
14 in the account, even after making the \$56,000 loan. According to a news report, when asked
15 about the source of the funds, Beals stated only that his campaign was "in full compliance with
16 the FEC" and did not directly deny the allegation that the \$56,000 loan was a gift from his father.
17 Similarly, although the Response states that the funds for the loan came from the unreported
18 bank account, it does not address whether Beals received the funds from another person, such as
19 his father.

²³ See 52 U.S.C. § 30104(b)(3)(A).

²⁴ 52 U.S.C. § 30104(b)(2)(G)-(H); 11 C.F.R. § 104.3(a)(3)(vii).

²⁵ 52 U.S.C. § 30104(b)(3)(E); 11 C.F.R. § 104.3(a)(4)(iv).

1 Although a close call, under the circumstances here, we recommend the Commission
2 dismiss the Complaint. Beals did explain the error and amended his 2017 House Financial
3 Report to disclose the amount held in the bank account used to fund the loan to his campaign,
4 although not the bank which held the account.²⁶ Other than “consistent rumors” suggesting that
5 Beals received funds from his father, there is no specific information contradicting the
6 Respondents’ explanation regarding the omission of the bank account from the candidate’s initial
7 Financial Disclosure Report. Also, this matter involves an omission from the candidate’s first-
8 ever House Financial Report. Finally, while \$56,000 is not a *de minimis* amount, the
9 Commission has generally pursued matters involving much larger loans.²⁷

10 Under these circumstances, we do not believe an investigation to verify the source of the
11 funds in the bank account used to fund the candidate loan would be a prudent use of Commission
12 resources. Therefore, we recommend that the Commission exercise its prosecutorial discretion
13 and dismiss this matter pursuant to *Heckler v Chaney*.²⁸

²⁶ In contrast, this Office previously recommended opening an investigation where there were multiple inconsistencies on a candidate’s House Financial Disclosure Reports, the assets funding the candidate’s \$50,000 loan to his committee facially appeared to come from accounts in his minor children’s names, and the candidate’s complete response was “[t]here is no merit to this complaint. It is fictitious.” See First Gen. Counsel’s Rpt. at 4, 6-9, MUR 7133 (Paul Chabot Congress). That recommendation did not garner four affirmative votes. Certification, MUR 7133 (Mar. 8, 2018).

²⁷ While the Commission has investigated candidate loans that exceeded the assets listed on the candidates’ House Financial Reports, those matters have typically involved larger amounts and more specific allegations. See Amended Certification ¶ 2 (Sept. 7, 2011), MURs 6363 and 6440 (Friends of Frank Guinta) (candidate loan and contribution totaling \$355,000); Certification ¶ 2 (Dec. 16, 2015)

Certification ¶ 1 (June 17, 2016)
and Factual and Legal Analysis for George Demos, at 8-9, MUR 6848 (open matter) (candidate loans of \$2.5 million).

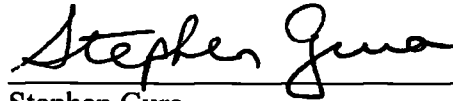
²⁸ 470 U.S. 821(1985).

1 **IV. RECOMMENDATIONS**

- 2 1. Dismiss the allegations that Jeffrey Beals and Jeff Beals for Congress and Allen
3 Beals in his official capacity as treasurer violated 52 U.S.C. §§ 30116(f) and
4 30104(b);
5
6 2. Approve the attached Factual and Legal Analysis;
7
8 3. Approve the appropriate letters;
9
10 4. Close the file.


11 Lisa J. Stevenson
12 Acting General Counsel


13 Kathleen M. Guith
14 Associate General Counsel

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16
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19 8.29.18
20 Date

21 Stephen Gura
22 Deputy Associate General Counsel

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25 Mark Shonkwiler
26 Assistant General Counsel

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28 
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30 Ana J. Peña-Wallace
31 Attorney

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Jeffrey Beals MUR: 7300
Jeff Beals for Congress and
Allen Beals in his official capacity as treasurer

I. INTRODUCTION

This matter was generated by a complaint filed with the Federal Election Commission (the "Commission"). *See* 52 U.S.C. § 30109(a)(1). Complainant, referencing a financial disclosure report filed by congressional candidate Jeffrey Beals ("Beals"), alleges that Beals did not have sufficient personal funds to make a \$56,000 candidate loan to his campaign on July 5, 2017, and that the Commission should investigate whether that money constituted a prohibited or excessive contribution.¹ Beals and his principal campaign committee, Jeff Beals for Congress and Allen Beals in his official capacity as treasurer ("the Committee"), acknowledge that the candidate's June 19, 2017, House Financial Disclosure Report did not disclose the assets used to make the loan, but contend that Beals had sufficient personal funds to make the loan. Beal subsequently amended his 2017 Financial Disclosure Report disclosing the previously unlisted bank account used to fund the loan. The Committee later repaid the loan. Because proceeding further would not be a prudent use of Commission resources the Commission exercises its prosecutorial discretion and dismisses the allegations.²

¹ Compl. (Nov. 28, 2017).

² *See Heckler v. Chaney*, 470 U.S. 821 (1985).

1 **II. FACTUAL BACKGROUND**

2 Beals was a candidate in the Democratic primary for New York's 19th Congressional
3 District in the 2018 election cycle.³ The Committee was his principal campaign committee.⁴ On
4 June 19, 2017, Beals filed his first Financial Disclosure Report with the Clerk of the House of
5 Representatives ("House Financial Report") disclosing no assets or unearned income, and listing
6 his salary as \$40,000 and his wife's salary as \$32,000.⁵

7 On July 5, 2017, Beals made a \$56,000 loan to his campaign.⁶ The Committee repaid the
8 loan in a series of payments made between October 2017 and April 2018.⁷

9 Respondents acknowledge that Beals did not disclose the assets he used to make the loan
10 on the House Financial Report he filed about two weeks before making the loan.⁸ The Response
11 states that Beals did not report the bank account because he "intended to loan his campaign the
12 \$56,000 . . . and believed that acknowledging assets that would no longer be in his possession
13 and were intended for filings with the Federal Election Commission was contrary to the open and

³ Jeffrey Beals, Statement of Candidacy (May 21, 2017).

⁴ Statement of Organization, Jeff Beals for Congress (May 21, 2017).

⁵ See Financial Disclosure Report for Jeffrey Beals (Filing ID 10017863), filed June 19, 2017. http://clerk.house.gov/public_disc/financial-pdfs/2017/10017863.pdf. According to his campaign website, Beals previously worked for the Central Intelligence Agency and the State Department, and currently works as a teacher in the Hudson Valley New York area. *Meet Jeff Beals*, Beals for Congress Website, <https://bealsforcongress.com/jeff-beals-life-story/> (last accessed July 6, 2018). The 2017 House Financial Report lists Beals and his wife's salaries for the preceding year at \$17,600 for Beals and \$16,200 for his wife.

⁶ See 2017 Amended October Quarterly Report at 80, 94 (Oct. 18, 2017), <http://docquery.fec.gov/pdf/165/201710189075789165/201710189075789165.pdf>.

⁷ The Committee disclosed the following loan repayments to Beals: \$6,000 on October 13, 2017, \$22,000 on December 22, 2017, and \$28,000 on April 17, 2018. See 2017 Amended Year-End Report at 50-51 (Mar. 7, 2018), <http://docquery.fec.gov/pdf/387/201803079095649387/201803079095649387.pdf#navpanes=0>; 2018 Pre-Primary Report at 89-90 (June 13, 2018), <http://docquery.fec.gov/pdf/379/201806149113689379/201806149113689379.pdf#navpanes=0>.

⁸ Resp. at 1 (Feb. 8, 2018).

1 transparent nature of the filing requirements.”⁹ The Response states that the filings “properly
2 reflect the current status of the Candidate and the Committee’s financial position.”¹⁰

3 On April 3, 2018, Beals filed an amendment to his 2017 House Financial Report to
4 disclose that during the period of January 1, 2016, through June 19, 2017, he held a bank account
5 valued between \$50,001 and \$100,000.¹¹ On May 25, 2018, Beals filed a 2018 House Financial
6 Report for the period of January 1, 2017, through May 25, 2018, disclosing that he held a bank
7 account valued between \$15,001 and \$50,000.¹²

8 III. LEGAL ANALYSIS

9 Federal candidates may make unlimited contributions from their own “personal funds” to
10 their authorized campaign committees.¹³ The Act and Commission regulations provide that
11 “personal funds” are (a) amounts derived from any asset that, under applicable State law, at the
12 time the individual became a candidate, the candidate had legal right of access to or control over,
13 and with respect to which the candidate had legal and rightful title or an equitable interest; and
14 (b) income received during the current election cycle, of the candidate, including a salary and
15 other earned income from bona fide employment; dividends and proceeds from the sale of the

⁹ *Id.* at 1.

¹⁰ *Id.*

¹¹ See 2017 Amended Financial Report for Jeffrey Beals (Apr. 3, 2018),
http://clerk.house.gov/public_disc/financial-pdfs/2017/10020105.pdf.

¹² See 2018 Financial Disclosure Report for Jeffery Beals (May 25, 2018),
http://clerk.house.gov/public_disc/financial-pdfs/2018/10023272.pdf.

¹³ 11 C.F.R. § 110.10.

1 candidate's stocks or other investments; and gifts of a personal nature that had been customarily
2 received by the candidate prior to the beginning of the election cycle.¹⁴

3 No person, including a candidate's family members, shall make contributions to any
4 candidate or authorized committee with respect to any election which, in the aggregate, exceed
5 the Act's contribution limit, which is \$2,700 during the 2018 election cycle.¹⁵ Moreover, no
6 candidate or political committee shall "knowingly accept" a contribution that exceeds the
7 applicable contribution limit.¹⁶ The term "contribution" includes "any gift, subscription, loan
8 advance or deposit of money or anything of value made by any person for the purpose of
9 influencing any election for Federal office."¹⁷

10 Additionally, the Act requires committee treasurers to file accurate reports of receipts and
11 disbursements.¹⁸ These reports must include, *inter alia*, the identification of each person who
12 makes a contribution or contributions that have an aggregate amount or value in excess of \$200
13 during an election cycle, in the case of an authorized committee of a federal candidate, together
14 with the date and amount of any such contribution.¹⁹ Authorized committees must also report all
15 loans, including those made by the candidate.²⁰ The committee must provide the identity of each

¹⁴ 52 U.S.C. § 30101(26); 11 C.F.R. § 100.33(a), (b).

¹⁵ 52 U.S.C. § 30116(a)(1)(A); Price Index Adjustments for Contribution and Expenditure Limitations and
Lobbyist Bundle Disclosure Threshold, 82 Fed. Reg. 10904, 10906, [https://www.fec.gov/resources/cms-
content/documents/fedreg_notice2017-02.pdf](https://www.fec.gov/resources/cms-content/documents/fedreg_notice2017-02.pdf). See also *Buckley v. Valeo*, 424 U.S. 1, 51 n.57, 53 n.59 (upholding
the constitutionality of contribution limits as to family members).

¹⁶ 52 U.S.C. § 30116(f); 11 C.F.R. § 110.9.

¹⁷ 52 U.S.C. § 30101(8)(A)(i).

¹⁸ 52 U.S.C. § 30104(b).

¹⁹ See 52 U.S.C. § 30104(b)(3)(A).

²⁰ 52 U.S.C. § 30104(b)(2)(G)-(H); 11 C.F.R. § 104.3(a)(3)(vii).

1 person who makes a loan, together with the identity or any endorser or guarantor, and the date
2 and amount of the loan.²¹

3 The Commission is dismissing the Complaint. Beals explained the error and a
4 subsequent 2017 House Financial Report revealed sufficient personal funds with which to loan
5 the \$56,000 to his campaign.

6 Proceeding further would not be a prudent use of Commission resources. Therefore, the
7 Commission exercises its prosecutorial discretion and dismisses this matter pursuant to *Heckler v*
8 *Chaney*.²²

²¹ 52 U.S.C. § 30104(b)(3)(E); 11 C.F.R. § 104.3(a)(4)(iv).

²² 470 U.S. 821(1985).