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FEDERAL ELECTION COMMISSION

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OFFICE OF GENERAL COUNSEL

January 24, 2023

MUR 8208***VIA E-MAIL & U.S. MAIL***

Office of General Counsel
Federal Election Commission
1050 First Street, NE
Washington, DC 20463
EnfComplaint@fec.gov

Re: Complaint Against Kevin McCarthy, Kevin McCarthy for Congress, McCarthy Victory Fund, and Majority Committee PAC-MC PAC re Terranea Expenses

Dear Counsel:

We write to file a complaint pursuant to 52 U.S.C. §30109(a)(1) and 11 C.F.R. §111.4, against former Rep. Kevin McCarthy, Kevin McCarthy for Congress and its Treasurer, Jill Thomson ["Congressional Committee"], McCarthy Victory Fund and its Treasurer, Jill Thomson ["Joint Fundraising Committee"], and Majority Committee PAC-MC PAC and its Treasurer, Jill Thomson ["Leadership PAC"], for impermissibly using campaign funds for McCarthy's personal use at the Terranea Resort, in violation of the Federal Election Campaign Act of 1971, as amended ("FECA" or "Act") and FEC regulations. We therefore request that the Commission commence enforcement proceedings and investigate these serious campaign finance violations.

FACTS

This Complaint is based primarily on extensive investigative reporting by the *Los Angeles Times* about former Congressman McCarthy's spending at Terranea in an article published on December 7, 2023, and a review of publicly available campaign reports filed by Congressman McCarthy's Congressional Committee, Joint Fundraising Committee, and Leadership PAC. (See "Kevin McCarthy uses PAC to lavish cash on high-end resorts, private jets and fine dining," LA Times (Dec. 7, 2023) <https://www.latimes.com/california/story/2023-12-07/spending-by-kevin-mccarthys-leadership-pac>).

The article details lavish spending by Congressman McCarthy and his various campaign committees at the Terranea Resort located in Rancho Palos Verdes, California, particularly during the period 2015 to 2018, while Congressman McCarthy served as House Majority Leader. According to the LA Times, and as reflected in Congressman McCarthy's campaign reports, the Terranea outlays by McCarthy's Leadership PAC during the period totaled approximately \$124,000. During that same timeframe, the McCarthy Victory Fund, a joint fundraising committee of McCarthy's Congressional Committee, his Leadership PAC, and the National Republican Congressional Committee, spent about \$116,000 at Terranea. Most of those expenditures are labeled only as "Lodging," with a couple of them described as "Catering and Lodging" (and one small "Printing" expense). Here is a summary of those expenditures:

MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	12/23/2015	\$7,500.00
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	3/15/2016	\$7,500.00
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	5/3/2016	\$4,488.88
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	5/25/2016	\$17,249.39
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	1/27/2017	\$5,000.00
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	3/28/2017	\$ 5,000.00
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	5/1/2017	\$ 2,367.50
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	5/19/2017	\$20,445.45
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	2/2/2018	\$3,000.00
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	2/27/2018	\$5,000.00
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	3/5/2018	\$ 5,000.00
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	4/3/2018	\$1,473.07
MAJORITY COMMITTEE PAC--MC PAC	TERRANEA RESORT	PAC LODGING	5/3/2018	\$40,205.83
MCCARTHY VICTORY FUND	TERRANEA RESORT	LODGING	8/1/2017	\$10,000.00
MCCARTHY VICTORY FUND	TERRANEA RESORT	LODGING	8/28/2017	\$10,000.00
MCCARTHY VICTORY FUND	TERRANEA RESORT	LODGING	9/12/2017	\$15,000.00
MCCARTHY VICTORY FUND	TERRANEA RESORT	LODGING	10/30/2017	\$8,750.00
MCCARTHY VICTORY FUND	TERRANEA RESORT	LODGING CATERING	11/6/2017	\$533.07
MCCARTHY VICTORY FUND	TERRANEA RESORT	AND LODGING	11/9/2017	\$68,293.03
MCCARTHY VICTORY FUND	TERRANEA RESORT	PRINTING CATERING	11/16/2017	\$ 24.07
MCCARTHY VICTORY FUND	TERRANEA RESORT	AND LODGING	12/29/2017	\$3,335.84

According to the article, the reporter asked Congressman McCarthy and his representatives to provide a full explanation for the payments, but the Congressman declined to answer. A McCarthy spokesperson responded that the costs were for “our annual event.” Further, the spokesperson stated, “Expenses were for lodging, catering, event room rentals associated with the PAC retreat.” It is unclear why so many payments were made to Terranea between 2015 and 2018, nor does it explain the number of payments made in 2017 to Terranea by two different committees, spread throughout almost the entire year.

The Times article indicated that they spoke with several former Terranea employees, two of whom said they remembered seeing Congressman McCarthy “once or twice at the most, including at what appeared to be a GOP dinner.” Complainants were employed by Terranea in various roles in the banquet and catering departments during the period in which these payments were made and do not have any knowledge or recollection of an event or events hosted by or held on behalf of Congressman McCarthy or his committees at the resort.

Based on campaign reports, the owners of Terranea contributed \$300,400 to Congressman McCarthy and his committees between 2012 and 2022. At a minimum, the level of financial support from the owners of Terranea and the volume of payments made by Congressman McCarthy’s committees to the Resort suggest an extremely cozy relationship between the parties.

ANALYSIS

1. Personal Use

Under the FECA, candidates are prohibited from using campaign funds to personally enrich themselves. (52 USC § 30114(b)(1)). Under FEC regulations, the Commission will determine “personal use” by whether the expense “would exist irrespective of” the candidate’s campaign or duties as a Federal officeholder.” (11 CFR § 113.1(g); *see also* 52 USC § 30114(b)(2).) Among other things, “prohibited uses” include “a vacation.” 52 USC § 30114(b)(2)(E); 11 CFR § 113.1(g)(1)(i)(J).). Other personal uses may be determined by the Commission on a case-by-case basis. (11 CFR § 113.1(g)(1)(ii).) While the FEC has yet to affirmatively extend the “personal use restrictions” to Leadership PAC funds (MUR 7961 (2023)), it is perfectly within the purview of the FEC to ensure that candidates are not violating the personal use provisions by employing the use of multiple committees to mask the true purpose behind their expenditures.

Moreover, here, there are ample payments made by the Joint Fundraising Committee to Terranea – which includes the Congressional Committee as a participant -- alone to warrant further inquiry. This is particularly true in light of the significant financial support provided by the owners of Terranea to Congressman McCarthy over the years. The inability of Congressman McCarthy and his representatives to elaborate further about these expenditures at Terranea, despite the simplicity of the inquiry, raises a red flag about potential misuse; otherwise, he and his spokespeople could have provided straightforward answers to the reporter’s inquiries. As stated earlier, Complainants were employed by Terranea when the bulk of the money was spent. Yet Complainants have no recollection of any event that they understood was being held by McCarthy during the relevant time period.

2. Inadequate Disclosure

Finally, if, in fact, the expenditures made by the Leadership PAC were for event costs and catering associated with a "PAC Retreat," the description "PAC Lodging" is insufficient to determine the actual purpose of the disbursement. The FEC's on-line guide for candidates states that the "description must be sufficiently specific, when considered within the context of the payee's identity, to make the reason for the disbursement clear." Here, the description not only is not clear, but the candidate and his representatives refused to provide a straight answer. Thus, this only adds to the question about the actual use of these funds.

CONCLUSION

Based on the foregoing, Complainants believe that the payments made by Congressman McCarthy and his authorized and affiliated committees to Terranea may have been made, not for legitimate PAC or campaign activities, but to personally enrich Congressman McCarthy under the cover of his Congressional Committee, Leadership PAC and Joint Fundraising Committee. Consequently, we urge the FEC to immediately open an investigation into former Congressman Kevin McCarthy and his committees for violation of the personal use provisions of the Act and FEC regulations.

The undersigned declare(s) under penalty of perjury under the laws of the State of California and the United States of America that the statements contained herein are true and correct based on his/her information and belief.


Name: David Gomez Martinez
Address: 

NOTARY ACKNOWLEDGMENT

See Attached for Notary

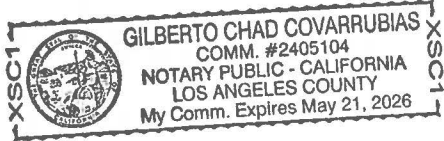
Acknowledgment

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Los Angeles

On January 25th, 2024 before me, Gilberto Chad Covarrubias, Notary Public
personally appeared David Gomez Martinez



who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the forgoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Place Notary Seal Above

Signature of Notary Public

Description of Attached Document

Title or Type of Document: Complaint Against Kevin McCarthy

Document Date: _____ Number of Pages: 4 + Notary

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: David Gomez Martinez Signer's Name: X