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STATE OF FLORIDA FLORIDA ELECTIONS COMMISSIONATE OF FLORIDA ELECTIONS COMMISSION

FLORIDA ELECTIONS COMMISSION,
Plaintiff,

vs.

FEC Case Nos: 00-262, 01-009 DOAH Case No: 01-3541, 01-3542

F.O. No.: DOSFEC 02-228

JAMES P. APPLEMAN Respondent.

FINAL ORDER

On August 15 and November 14 and 15, 2002, this cause came on to be heard before the Florida Elections Commission (Commission). At the meetings, the Commission reviewed the Recommended Order entered by Administrative Law Judge (ALJ) Jeff B. Clark on April 15, 2002 and addressed the Exceptions to that Recommended Order filed by both the Petitioner and the Respondent. 2

APPEARANCES

For Petitioner:

Eric Lipman, Esquire
Assistant General Counsel
Florida Elections Commission
107 W. Gaines Street

Although the ALJ referred to the Commission as Respondent and Mr. Appleman as Petitioner, the Final Order will refer to the Commission as Petitioner and Mr. Appleman as Respondent. In addition, the Commission staff's Exceptions will be discussed as Petitioner's Exceptions while those of Mr. Appleman will be discussed as Respondent's Exceptions. Although, a party in an administrative action must file a petition to obtain an administrative hearing, it is Mr. Appleman who is responding to the charges brought against him.

² The Commission has reviewed the entire record and heard arguments of counsel.

Collins Building, Suite 224
Tallahassee, FL 32399-1050

For Respondent:

Mark Herron, Esquire

Messer, Caparello and Self, P. A.

P. O. Box 1876

Tallahassee, FL 32302-1876

RULINGS ON THE EXCEPTIONS

Petitioner's Exception Number 1.

- The Commission agrees with Petitioner's Exception #1.

 The ALJ erroneously ruled (COL ¶57) that the burden of proof in Commission cases, brought under the willful standard in Chapter 106, Florida Statutes, requires clear and convincing evidence.

 As the Commission has ruled on numerous occasions, administrative enforcement actions involving Chapter 106, Florida Statutes, are "remedial" in nature and thus are subject to the lesser preponderance of the evidence standard. See FEC v. Schreiber, Case No.: FEC 00-218; FEC v. Diaz de la Portilla, Case No.: FEC 00-006; FEC v. Proctor, Case No.: FEC 99-065; FEC v. Harris, Case No.: 98-087; FEC v. Morroni, Case No.: FEC 97-060, FEC v. Boczar, Case No.: FEC 95-053, Division of Elections v. Diaz de la Portilla, Case No.: FEC 93-045.
- The Commission takes this position because the legislative purpose behind the regulations contained in Chapter 106, Florida Statutes, is to preserve the electoral system from corruption and the appearance of corruption, as opposed to merely punishing wrongdoers. Moreover, since the Commission is the agency with substantive jurisdiction over proceedings to enforce

Chapter 106, Florida Statutes, it is clear, unless and until judicially determined otherwise, that the Division of Administrative Hearings (DOAH) must defer to the Commission's position on this question of law. See Purvis v. Marion County School Bd., 766 So. 2d 492, 498 (Fla. 5th DCA 2000). However, it is also clear, as the ALJ found (COL ¶44), that the evidence of Respondent's violations of Sections 106.07(5) and 106.19(1)(c), Florida Statutes, meets the clear and convincing standard.

As set out below, the Commission has rejected the ALJ's determination (COL ¶¶35-40, 43) that the facts do not support violations of Sections 106.021(3) and 106.19(1)(d), Florida Statutes, and only one violation of Section 106.07(5), Florida Statutes. Because of the ALJ's decision, he did not have the occasion in his Recommended Order to apply any standard of proof to these improper acts on the part of the Respondent. Nevertheless, it is apparent, given the ALJ's Findings of Fact, that had the ALJ correctly interpreted the relevant statutes, Respondent's violations of these sections would also have met the clear and convincing standard.

Petitioner's Exception Number 2.

The gist of Petitioner's Exception #2 is also accepted. The ALJ (COL $\P\P35-40$) erroneously applied the same construction of Sections 106.021(3) and 106.07(4)(a)7., Florida Statutes, that he used in his Recommended Order in <u>Florida Elections Commission</u> v Schreiber, FEC Case No. 00-218, DOAH Case No. 01-1298 at COL

In its Final Order in <u>Schreiber</u> at pages 2-3, the Commission rejected the ALJ's interpretation and stated in material part:

The Commission rejects the ALJ's Conclusion of Law (COL ¶53) that says there is an "apparent conflict" between Sections 106.021(3) and 106.07(4)(a)7., Florida Statutes, requiring that the two sections be read in pari materia (COL ¶57-58). Commission finds that the sections are independent of each other and should be read in that manner. While a candidate, under certain circumstances, may be reimbursed by a check written from his campaign, Section 106 07(4)(a)7, Florida Statutes, requires that he report more than his own name and the date and amount of the reimbursement check on his campaign report. As discussed above, the section requires that the candidate individually list each expenditure and the amount, date, and purpose of each expenditure for which he was reimbursed.

5. The ALJ's analysis in this case, as in Schreiber, appears to derive from his view that Section 106.021(3), Florida Statutes (2001), when read in conjunction with Section 106.11(3), Florida Statutes, totally precludes reimbursements to persons who have spent funds on behalf of a campaign from accounts other than the campaign account. In addition, the ALJ

^{3 §106.021(3),} Fla. Stat., provides as follows: "....[N]o contribution or expenditure, shall be directly or indirectly made or received in furtherance of the candidacy of any person for nomination or election to political office in the state...except through the duly appointed campaign treasurer of the candidate...."

⁴ §106.11(3), Fla. Stat., provides as follows: Each candidate shall make expenditures from funds on deposit in such primary campaign depository only in the following manner[:]...(1)...by means of a bank check drawn upon the campaign account of the

incorrectly interpreted Section 106.07(4)(a)7., Florida

Statutes,⁵ to permit a campaign to engage in the practice of making reimbursements so long as the requisite information is reported on a candidate's campaign report. The ALJ's interpretation of these sections resulted in a conflict between the sections, which he reasoned required reconciliation. (COL ¶¶37-40)

6. However, simply because Section 106.07(4)(b)7., Florida Statutes, states how to report reimbursements does not change the meaning of Sections 106.021(3)(2001) and 106.11(3), Florida Statutes, to permit candidates to make expenditures from a non-campaign account and be reimbursed from the campaign account. Clearly, if an expenditure from a non-campaign account was improper, then the reimbursement from the campaign account for such expenditure was similarly improper, under pre-2002 provisions of the law. Therefore, since reimbursements are prohibited by Sections 106.021(3)(2001) and 106.11(3), Florida

candidate or political committee."

^{5 §106.07(4)(}a)7., Fla. Stat.,: provides as follows: "Each [campaign treasurer's] report. shall contain: [t]he full name and address of each person to whom [a] reimbursement for authorized expenses has been made and which is not otherwise reported, including the amount, date, and purpose of such expenditure."

⁶ Division of Elections Opinion 97-06 is not to the contrary. The opinion merely recognized that in certain circumstances a campaign might be placed in an unforeseen position where a bill was immediately due but the campaign checkbook was not available. In such an unforeseen circumstance, payment from another account with later reimbursement from the campaign account would be acceptable as a matter of necessity. In this case, the Respondent has made no such assertion.

Statutes, the fact that Section 106.07(4)(b)7., Florida Statutes, provides how to report reimbursements does not mean that reimbursements are permitted under the law.

- 7. Accordingly, it was unnecessary for the ALJ to reconcile Sections 106.021(3)(2001), 106.11(3), and 106.07(4)(b)7., Florida Statutes, because the sections do not conflict. Sections 106.021(3)(2001) and 106.11(3), Florida Statutes, govern the manner in which a campaign may properly expend funds. Section 106.07(4)(b)7., Florida Statutes, governs the manner in which the campaign must report expenditures, including reimbursements, whether or not the particular transaction complies with other provisions of Chapter 106, Florida Statutes.
- Exception #2, it is clear that not only did Respondent fail to comply with Section 106.021(3), Florida Statutes (2001), but also that Respondent's method of reporting his reimbursements did not comply with Section 106.07(4)(a)7., Florida Statutes. A reimbursement is only properly reported if each individual, authorized expenditure for which the person is reimbursed has

All transactions of the campaign must be reported whether in compliance with Ch. 106, Fla. Stat., or not. For example, a candidate must report all contributions made to the campaign even if the amount of a contribution violates the legal limit. The fact that §106.19, Fla. Stat., provides for different and distinct violations for accepting a contribution in excess of the amounts allowed by Ch. 106, Fla. Stat., (§106.19(1)(a), Fla. Stat.) and for failing to report a contribution (§106.19(1)(b), Fla. Stat.) makes this point clear.

been set out in full in the candidate's campaign treasurer's report, including the amount of each expenditure, the date the expenditure occurred, and the purpose of the expenditure.8

- 9. Simply noting on his campaign report that a reimbursement was made to a person for a "lump sum," as was Respondent's practice, is insufficient. Section 106.07(4)(b)7., Florida Statutes, clearly requires the reporting of the amount, date, and purpose for each individual expenditures made by the Respondent for which he was reimbursed by his campaign. Failing to list the required information on his reports when he included reimbursements to himself, fell short of what was required of Respondent by Section 106.07(4)(b)7., Florida Statutes, as well as Sections 106.021(3)(2001) and 106.11(3), Florida Statutes.
- As the ALJ noted (FOF ¶2), Respondent had signed the candidate statement required by Section 106.023, Florida Statutes, agreeing that he had received, read, and understood the provisions of Chapter 106, Florida Statutes. Insofar as Sections 106.021(3)(2001) and 106.11(3), Florida Statutes (2001), prohibited expenditures made from accounts other than the campaign account, it is clear that Respondent "knowingly" failed

⁸ §106.07(4)(b)7., Fla. Stat., states how a campaign is required to report reimbursements and other types of transactions on its campaign report. When reporting reimbursements a campaign must report not only the "full name and address" of person being reimbursed "for authorized expenses" but also "the amount, date, and purpose" of each of the "authorized expenses" which are being reimbursed unless the "expenses" have been "otherwise reported."

to comply with this requirement of Chapter 106, Florida Statutes, as that term is used in Section 106.37, Florida Statutes, when he personally made expenditures using funds from other than the campaign account and then had the campaign reimburse him.

of violating Section 106.021(3), Florida Statutes (2001), with which Respondent was originally charged by the Commission can be sustained. As pointed out by the parties, Section 106.021(3), Florida Statutes, was amended in 2002 by Section 28, 2002-17, Laws of Florida, to specifically permit reimbursements for four types of expenditures. The change was made retroaction. The section now reads, in pertinent part, as follows:

no expenditures, and shall be directly or indirectly made in furtherance of the candidacy of any person except through the duly appointed campaign treasurer of the candidate...; however, a candidate may be reimbursed for expenses incurred for travel, food and beverage, office supplies, and mementos expressing gratitude to campaign supporters by a check drawn upon the campaign account and reported pursuant to s. 106.07(4).

Reviewing the list of 30 reimbursed items found by the ALJ (FOF $\P\P3-4$), it is apparent that 15 of the items fall within the four exceptions to Section 106 021(3), Florida Statutes (2002 Supp.), for which a candidate may now be reimbursed. The remaining 15 items, which are listed in Petitioner's Exceptions

⁹ Each of the 30 items found by the ALJ comprised the original 30 "counts" of alleged violations of \$106.021(3), Fla. Stat., found by the Commission in its Order of Probable Cause and the

¶27, do not. Regarding these items, the Commission finds that Petitioner's Exception is well taken and that Respondent violated the provisions of Section 106.021(3), Florida Statutes, on 15 occasions. 10

Petitioner's Exception Number 3.

- not for the reasons Petitioner argues in the Exception. As discussed above, the 2002 amendment to Section 106.021(3), Florida Statutes, now permits reimbursements for four types of expenditures. Nevertheless, the reporting requirements of Section 106.07(4)(a)7., Florida Statutes, have always applied to all expenditures and all other transactions of a campaign whether or not such transactions are allowable under Chapter 106, Florida Statutes.
- 14. Respondent was required to properly report the amount, date, and purpose of each reimbursed expenditure on his campaign report whether the reimbursement was allowable or not. 11

 Reviewing the ALJ's Findings of Fact ¶4, it is readily apparent that the Respondent did not report the amount, date, and purpose of each expenditure, but merely listed a "lump sum" reimbursement on his campaign report. As a result, Respondent's reports that were due on 7-17-99, 2-11-00, 6-10-00, 8-07-00, 8-30-00, and 9-

accompanying Statement of Findings.

Contrary to Petitioner's discussion in its Exceptions at $\P932$ -33, simply listing a generic statement such as "reimbursement for travel expenses" does not comply with the provisions of

08-00 failed to comply with the provisions of Section 106.07(4)(a)7., Florida Statutes.

- 15. Further, Respondent's certification of his six incorrect and incomplete campaign reports was willful. For the same reasons as the ALJ found (FOF ¶20) with regard to certifying the reports that omitted the Jeep refunds, it is clear that Respondent "knew" he was required to report each expenditure made by his campaign for goods and services. Moreover, Respondent personally made the various purchases that underlie the "lump sum" entries in his campaign's reports. Respondent was obviously aware that the various reimbursements labeled campaign expenses were made up of several individual purchases and that those individual purchases were not reported on his campaign treasurer's reports.
- 16. Therefore, Respondent certified to six incorrect and incomplete campaign reports in violation of Section 106.07(5), Florida Statutes. These six violations are in addition to the violation found by the ALJ for Respondent's failure to report the sale of the Jeep used by the campaign on his campaign report for the reporting period ending on December 31, 1999.

Petitioner's Exception Number 4.

17. The Commission rejects Petitioner's Exception #4 to the extent that it seeks to impose additional fines for Respondent's violations of Section 106.19(1)(c), Florida Statutes, for the

^{§106.07(4)(}b)7., Fla. Stat.

while the Commission agrees that Respondent failed to properly report his expenditures, it sees no reason to impose additional fines for violations of Section 106.19(1)(c), Florida Statutes. There is no need to consider these violations as anything other than coincident to the violations of Section 106.07(5), Florida Statutes.

Petitioner's Exception Number 5.

- Petitioner argues that because Section 106 1405, Florida

 Statutes, lists certain "normal living expenses" that are allowed to be paid from campaign funds, all other personal expenses were normal living expenses impermissibly charged to the campaign.

 While such a bright line test is tempting, the better reading of the statute does not justify such a test.
- of campaign funds for normal living expenses, but nowhere defines the term. Therefore, it is apparent that the operative question lies in determining what is "normal living" in the election context. As the ALJ recognized (FOF ¶¶10-11), what at first blush may seem to be the use of campaign funds for normal living expenses, when placed in context, can be directly tied to promoting a successful outcome to the campaign. For example, the purchase of several dress shirts in one context may be an expense for normal living, but if the candidate is out on the hustings

giving speeches in the Florida sun, purchasing several new dress shirts may be well-nigh a necessity.

20. As a result, the Commission finds the ALJ's methodology is the correct one. If the expenditure was facially a normal living expense, the burden shifts to the candidate to explain how the expenditure was directly tied to the purpose of the campaign-getting the candidate elected. If, as the ALJ found in this case (COL ¶¶41-43), the item was used exclusively for campaign functions and purposes, then such a finding is due deference by the Commission.

Petitioner's Exception Number 6.

21. The Commission rejects Petitioner's Exception #6 to the extent that it seeks to impose additional fines for Respondent's violation of 106.19(1)(d), Florida Statutes. While the Commission agrees that the expenditures made by Respondent that violated Section 106.021(3), Florida Statutes (2002 Supp.), also violate Section 106.19(1)(d), Florida Statutes, it is apparent that the same transactions underlie each charge and no additional penalty is warranted.

Petitioner's Exception Number 7.

The Commission rejects Petitioner's Exception #7. It is the Commission's opinion that an upward adjustment to the ALJ's proposed fines is warranted, because the Commission sustained Petitioner's Exceptions #2 and #3. However, the Commission has either rejected the remaining Exceptions or

determined that no additional penalty is warranted for charges based upon the same underlying actions of Respondent. Therefore, it must reject Petitioner's proposed fines

Respondent's Exception Number 1.12

Respondent's contention that he did not need to report the \$1,325 is error. As the ALJ found, Respondent should have reported on his December 31, 1999, campaign report the \$800 difference in value between the Jeep that was used for Respondent's campaign and the automobile that was given to his stepdaughter for her personal use and the \$525 that the campaign paid down on the Jeep. 13 The \$1,325 was, in Respondent's own terms, a refund to the campaign. A candidate is required to report refunds on his campaign report, as provided in Section 106.07(4)(b)4., Florida Statutes. 14 Respondent was required to deposit and report the refunds at the time he exchanged the automobiles in December of 1999 and not months later when it was convenient. Because the

The exceptions are entitled "Petitioner's Exceptions" in the pleadings, however, for the reasons set out in fn. 2, infra, they are treated as Respondent's Exceptions for purposes of this Final Order.

Respondent characterizes the refunds as simply a return of principal. This is actually the case since the return of the \$1,325 was intended to put the campaign back where it was before the Jeep was purchased. Of course, such a return of principal is also a "refund" of funds previously expended by the campaign, which were subsequently returned to it to make it whole. In any event, "refunds" must still be reported on a timely basis.

The Commission accepts the ALJ's and the Respondent's characterizations of these funds as a refund while noting that to treat the funds as a contribution would likely violate the

Respondent did not report the refund on his December 31, 1999, campaign treasurer's report, the report was incomplete when the Respondent certified the report.

Respondent's Exception Number 2.

- 24. The Commission rejects Respondent's Exception #2. In this Exception, Respondent argued that the ALJ erred in recommending penalties for each violation, because the charging document filed by the Commission failed to set out each charge in discrete, numbered paragraphs. Respondent's argument is based upon his erroneous interpretation of McGann v. Florida Elections

 Com'n, 803 So.2d 763 (Fla. 1st DCA 2001). In that case, the court found that a charging document filed by the Commission did not adequately plead separate counts, yet McGann was fined in excess of the statutory maximum per count, as provided in Section 106.265(1), Florida Statutes.
- 25. In contrast to the pleading found deficient in McGann, the charging document in this case states the specific number of "occasions" that Respondent violated the provisions of Chapter 106, Florida Statutes ¹⁵ The charging document in McGann, on the other hand, did not state the number of violations charged, but instead simply used the indistinct term "multiple occasions." Thus, the document gave McGann no hint that the agency intended

contribution limits set out in §106.08, Fla. Stat.

¹⁵ Additionally, the Statement of Findings, which is a part of the charging document, acted as a bill of particulars tying each of the separately numbered "occasions" to specific alleged acts in violation of or instances of noncompliance with the

to impose fines on a "per count" basis.

26. The ALJ correctly determined (COL ¶31) that the pleadings used by the Commission adequately put Respondent on notice of his possible fine exposure and thus the pleading requirements of Section 106.265(1), Florida Statutes, were met

Respondent's Exception Number 3 and Number 4.

- 27 The Commission rejects Respondent's Exception #3 and #4 As discussed above in response to Respondent's Exception #1, the Commission agrees with the ALJ that Respondent violated Section 106.07(5), Florida Statutes. For the same reasons the Commission agrees that Respondent violated Section 106.19(1)(c), Florida Statutes, when he "fail[ed] to include information required by [Chapter 106]" in his December 31, 1999, campaign treasurer's report.
- The Commission writes only to explain, in contrast to the other violations of Section 106.07(5), Florida Statutes, which were also violations of Section 106.19(1)(c), Florida Statutes, that Respondent's failure to report timely the refunds from trading the Jeep deserves a fine under both sections of law. While Respondent made an effort, albeit incomplete and incorrect, to timely report the reimbursements on his campaign reports, he made no effort to report the refunds to his campaign until six months and 15 months after the exchange of the automobiles occurred. This egregious lack of timely reporting justifies

requirements of Ch. 106, Fla. Stat.

separate fines both for certifying an incorrect and incorrect report and for failing to include the refunds on the appropriate report. The Commission agrees with the ALJ's finding on this matter.

Respondent's Exception Number 5.

The Commission accepts Respondent's Exception #5. When the ALJ found a violation of Section 106.19(1)(c), Florida Statutes, for Respondent's failure to report the refunds, he relied on Section 106.19(2), Florida Statutes, and enhanced the penalty to \$2400, three times the initial \$800 refund. This was in error. Section 106.19(2), Florida Statutes, only provides for an enhanced penalty when violations of Sections 106.19(1)(a), (b), or (d), Florida Statutes, are proven. Section 106.19(1)(c), Florida Statutes, is not included. As a result, the ALJ 's proposed fine for this violation must be reduced from \$2400 to \$1000.

CONCLUSION AND PENALTY

WHEREFORE the Commission hereby accepts the ALJ's

Recommended Findings of Fact and the Conclusions of Law, as

modified by the rulings on the parties' exceptions set out above.

The Commission therefore finds that Respondent has violated the

following provisions of Chapter 106, Florida Statutes, and

imposes the following fines:

A. Respondent has violated Section 106.021(3),
Florida Statutes (2002 Supp.), and Section 106.19(1)(d),

Florida Statutes, on 15 occasions for reimbursing Respondent from the campaign account for expenditures made from a non-campaign account. Respondent is fined \$500 for each of the 15 counts for a total of \$7,500.

- B. Respondent violated Section 106.07(5), Florida
 Statutes, and Section 106.19(1)(c), Florida Statutes, on six
 occasions for Respondent failing to report the amount, date,
 and purpose of each reimbursed expenditure. Respondent is
 fined \$500 for each of the six counts for a total of \$3,000
- C. Respondent violated Section 106.07(5), Florida
 Statutes, for certifying to a report that failed to include
 the refunds from the exchange of the Jeep, and Section
 106.19(1)(c), Florida Statutes, for failing to include the
 refunds on his campaign report. Respondent is fined \$500,
 for violating Section 106.07(5), and Respondent is fined
 \$500, for violating Section 106.19(1)(c) for a total of
 \$1000.
- D. The Commission concurs with the ALJ that the allegations regarding 30 violations of Section 106.1405, Florida Statutes, and the coincidental violations of Section 106.19(1)(d), Florida Statutes, were not proven.
- E. The Commission finds that the additional 15 alleged violations of Section 106.021(3), Florida Statutes, (2001) and Section 106.19(1)(d), Florida Statutes, are no longer subject to prosecution due to the retroactive application of the 2002 amendment to Section 106.021(3),

Florida Statutes. Therefore, it is

ORDERED that the Respondent shall remit a civil penalty in the amount of \$11,500. The civil penalty shall be paid to the Florida Elections Commission, the Collins Building, Suite 224, 107 W. Gaines Street, Tallahassee, Florida 32399-0250, within 30 days of the date this Final Order is received by the Respondent.

DONE AND ENTERED by the Florida Elections Commission and filed with the Clerk of the Commission in Tallahassee, Florida, this _25 day of November 2002.

> Susan MacManus, Chairman Florida Elections Commission

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S. Mail to counsel for Respondent, Mark Herron, Messer, Caparello and Self, P.A., Post Office Box 1876, Tallahassee, Florida 32302-1876 and Eric Lipman, Assistant General Counsel, 107 W. Gaines Street, Collins Building, Suite 224, Tallahassee, Florida 32399-0250 this 25 day of November, 2002...

Rushing, Commission Clerk

107 W. Gaines Street,

Collins Building, Suite 224,

Tallahassee, Florida, 32399-1050.

Copies also furnished to:

Eric Lipman, Assistant General Counsel
Mark Herron, Attorney for Respondent
Paul V. Sims, Complainant
Lawrence J. Fleming, Complainant
Department of State, Division of Elections, Filing Officer

NOTICE OF RIGHT TO APPEAL

Pursuant to Section 120.68, Florida Statutes, the Respondent may appeal the Commission's Final Order to the appropriate district court of appeal by filing a notice of appeal both with the Clerk of the Florida Elections Commission and the Clerk of the district court of appeal. The notice must be filed within 30 days of the date this Final Order was filed and must be accompanied by the appropriate filing fee.