

LOBBY WATCH

TEXANS FOR PUBLIC JUSTICE 609 W. 18TH ST., SUITE E, AUSTIN, TX 78701 PH: (512)472-9770 FAX: (512)472-9830

Betting the Ranch:

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241 Candidates Run Up \$9 Million In Campaign Debt

• 71 Percent is Self-Financed.

A total of 241 state candidates took out more than \$9 million in campaign loans from January 2005 through September 2006. The indebted candidates ran for offices ranging from district attorney to governor. Some of these loans went to candidates who are not running this cycle. These include mid-term sitting senators (such as Juan 'Chuy' Hinojosa), as well as ex-candidates who appear to have taken out new loans in an effort to restructure old campaign debts (including failed 2002 Senate candidate Dave Deison).

Indebted candidates reported total loan amounts ranging from \$80 to more than \$500,000. The top debt-financed candidate is Republican Robert Nichols, who loaned himself \$556,000 for his race for an open seat in Senate District 3. Lieutenant Governor David Dewhurst came next, loaning his campaign \$525,000. Fifty candidates reported borrowing \$50,000 or more this cycle. These large debts account for 77 percent (almost \$7 million) of debts analyzed here.

Under Texas law, *gubernatorial* candidates can use campaign funds to repay themselves personal loans of up to \$500,000 for every election in which they appear on the ballot (or up to \$1 million for a gubernatorial candidate who appears on the primary and general ballot).¹ Candidates for all other *statewide offices* can

repay themselves up to \$250,000 per on-ballot election. There is no limit on what legislative candidates can repay themselves.

The only candidate who hit these repayment limits as of last month is Lieutenant Governor David Dewhurst. Appearing on this year's primary- and general-election ballots, Dewhurst personally loaned his campaign \$525,000 last year. Legally he can use campaign funds to repay up to \$500,000 of these five-year, zero-interest loans.

This energy tycoon previously used \$11.3 million of his personal funds to win his first lieutenant governor race in 2002. The Dewhurst campaign reported earlier this week that the total principal remaining on all of its outstanding debt surpasses \$8 million.

Dewhurst's Loans To His '06 Campaign

Loan Date	Loan Amount
6/21/2005	\$150,000
6/25/2005	\$60,000
6/30/2005	\$65,000
12/27/2005	\$250,000
TOTAL:	\$525,000

50 Candidates Borrowed \$50,000 Or More In the 2006 Cycle

Cycle	Loan Total	Candidate	Office	Party	Running Status	'06 Primary*
	\$556,000	Robert Nichols	S-3	R	Open seat	Won
	\$525,000	David Dewhurst	Lt. Gov	R	Incumbent	Won
	\$355,000	Borris Miles	H-146	D	Challenger	Won
	\$321,750	Larry Durrett	H-11	R	Challenger	Won
	\$316,671	Dan Patrick	S-7	R	Open seat	Won
	\$300,772	Mercurio Martinez	H-42	D	Challenger	Lost
	\$300,000	Richard Raymond	H-42	D	Incumbent	Won
	\$239,552	Bill Welch	H-47	R	Open seat	Won
	\$235,000	Frank Denton	S-3	R	Open seat	Lost
	\$220,000	David Melanson	H-28	R	Open seat	Lost
	\$207,500	Bob Wortham	Dist Judge	D	Open seat	Won
	\$195,963	Carlos Uresti	S-19	D	Challenger	Won
	\$159,400	David Leibowitz	H-11	D	Incumbent	Won
	\$158,301	Patricia Carlson	H-91	R	Open seat	Lost
	\$157,270	Anette Carlisle	H-87	R	Challenger	Lost
	\$150,000	Eliot Shapleigh	S-29	D	Incumbent	Won
	\$137,796	Juan Hinojosa	S-20	D	Incumbent	NA
	\$135,423	Robert Higgins	H-97	R	Challenger	Lost
	\$120,975	David Deison	S	R	Open seat	NA
	\$119,000	Veronica Gonzales	H-41	D	Incumbent	Won
	\$113,500	Delwin Jones	H-83	R	Incumbent	Won
	\$110,000	'Kinky' Friedman	Gov.	IND	Challenger	NA
	\$100,547	Mike Baldwin	H-28	R	Open seat	Lost
	\$100,000	L. Dee Shipman	Dist Judge	R	Incumbent	Won
	\$85,000	Ron Booker	H-26	R	Challenger	Lost
	\$85,000	Kelly Hancock	H-91	R	Open seat	Won
	\$82,000	Will Hartnett	H-11	R	Incumbent	Won
	\$81,000	Arnulfo 'Arnie' Olivarez	H-38	D	Open seat	Lost
	\$80,414	Eddie Lucio III	H-38	D	Open seat	Won
	\$76,100	Don Zimmerman	H-50	R	Challenger	Lost
	\$73,565	Richard E. Price	Dist Judge	R	Incumbent	Won
	\$70,000	James George Sales	Dist Judge	R	Open seat	Won
	\$65,000	Jeff Fleece	H-50	R	Challenger	Won
	\$64,773	Linda Harper-Brown	H-10	R	Incumbent	Won
	\$63,100	Jose 'Joe' Lopez	Dist Judge	D	Challenger	Won
	\$61,000	Tim Kleinschmidt	H-17	R	Challenger	Won
	\$60,867	Mark Homer	H-3	D	Incumbent	Won
	\$60,000	Eddie Lucio Jr.	S-27	D	Incumbent	NA
	\$55,200	Laura M. Salinas	H-14	D	Open seat	Lost
	\$55,000	Katy Hubener	H-10	D	Open seat	Won
	\$55,000	Mollee Westfall	Dist Judge	R	Challenger	Won
	\$53,779	Joe Straus	H-12	R	Incumbent	Won
	\$52,857	Dick Bowen	S-19	R	Challenger	Won
	\$52,794	Ben Bentzin	H-48	R	Challenger	Won
	\$50,460	Douglas M. Barlow	Dist Judge	D	Open seat	Lost
	\$50,107	Tan Parker	H-63	R	Open seat	Won

\$50,000	Susan Kinn	H-71	R	Open seat	Won
\$50,000	Peter Sakai	Dist Judge	D	Open seat	Won
\$50,000	Dave Kleimann	S-3	R	Open seat	Lost
\$50,000	Donald Margo	S-29	R	Challenger	Won

* Includes results of some special elections.

Campaign Debts By Running Status

Candidate Running Status	Total Loans	No. of	
		Indebted Candidates	Average Debt
Open Seat	\$3,889,832	93	\$41,826
Challenger	\$2,647,216	87	\$30,428
Incumbent	\$2,449,464	57	\$42,973
Unknown	\$17,000	4	\$4,250
TOTALS:	\$9,003,512	241	\$37,359

As a practical matter, few *losing* candidates will be able to tap contributions to repay debts. Most donors have little interest in lost causes when they can invest in winners who actually wield political power.

The primaries already wiped out seven candidates who racked up campaign debts of \$100,000 or more. The most indebted primary loser is Democrat Mercurio Martinez, who borrowed \$300,772 for his failed primary and run-off challenge to Rep. Richard Raymond (D-Laredo). Martinez loaned himself just over half this amount, borrowing the rest from banks. More candidates with heavy debts will be knocked out in Tuesday's general election.

On average, incumbents and candidates pursuing open seats incurred more debt, while challengers had smaller appetites for going into debt.

Republicans had more debt-financed candidates than Democrats and the average debt of an indebted Republican exceeded that of the average indebted Democrat.

Campaign Debts By Party

Party	Total Loans	No. of	
		Indebted Candidates	Average Debt
Republican	\$5,631,547	136	\$41,408
Democrat	\$3,200,569	95	\$33,690
Other	\$118,396	6	\$19,733
Unknown	\$53,000	4	\$13,250
TOTALS:	\$9,003,512	241	\$37,359

Campaign Debts By Office

Office	Total Loans	No. of	
		Indebted Candidates	Average Debt
House	\$4,807,288	120	\$40,061
Senate	\$1,986,505	16	\$124,157
District Judges*	\$1,369,092	71	\$19,283
Statewide	\$687,741	11	\$62,522
Int. Appeals Court	\$124,827	16	\$7,802
Education Board	\$23,809	4	\$5,952
District Attorney	\$4,250	3	\$1,417
TOTALS:	\$9,003,512	241	\$37,359

*Includes candidates for two family district court races and one county court at law race.

This raises the question: Can true fiscal conservatives run debt-financed campaigns? The \$110,000 that independent gubernatorial candidate Kinky Friedman borrowed from shampoo magnate John McCall accounted for most of the debt incurred independent of the dominant parties.

Three-quarters of the total campaign debt analyzed here went to 136 legislative candidates (\$6.8 million). In a potential threat to judicial independence, trial-court candidates—led by 68 district judges—took out almost \$1.4 million in debt. The most indebted of these candidates is Bob Wortham, the Democratic nominee for Beaumont's 58th state district court seat. Wortham personally lent his campaign \$207,500. Sixteen candidates for intermediate appeals courts also borrowed a total of \$124,827.

Statewide Campaign Debt Breakdown

Office	Total Loans	No. of	
		Indebted Candidates	Average Debt
Lieutenant Governor	\$542,663	3	\$180,888
Governor	\$117,464	4	\$29,366
Supreme Court	\$11,837	1	\$11,837
Land Commissioner	\$10,000	1	\$10,000
Ct Criminal Appeals	\$5,000	1	\$5,000
Attorney General	\$777	1	\$777
TOTALS:	\$687,741	11	\$62,522

Lieutenant Governor David Dewhurst accounted for a remarkable 76 percent of all debt assumed by candidates for statewide office. Kinky Friedman's \$110,000 loan represents the bulk of the gubernatorial debt. Two candidates for the state's top civil and criminal courts borrowed a total of \$16,837. Failed 2002 land commissioner candidate Kenn George also reported a \$10,000 loan this cycle.

Candidates borrowed 71 percent of the total campaign-loan money from their own personal funds, led by self-financing machine David Dewhurst. Candidates' businesses and family members accounts for another 6 percent of this cycle's total campaign debt. Candidates borrowed just 18 percent of their campaign money from commercial lenders.

Campaign Debts By Lender Source

Loan Source	Total Loans	No. of Loans	Average Loan
Recipient candidate (self)	\$6,423,799	705	\$9,112
Commercial lender	\$1,590,710	56	\$28,406
Family member	\$479,154	51	\$9,395
Other individuals	\$395,047	31	\$12,743
Candidate-related business	\$105,403	14	\$7,529
Other entities	\$6,450.00	6	\$1,075
Other campaign or PAC	\$2,950	2	\$1,475
TOTALS:	\$9,003,513	865	\$10,409

Bypassing commercial lenders resulted in enviable financing costs, with most campaigns reporting zero-interest loans. In a probable typo, Nancy McCoy, a Democrat running for Conroe's 284th State District Court, reported a 1,000 percent interest rate on a \$1,000 personal loan to her campaign.

Vicky Rudy, a House District 16 candidate from Montgomery, demanded a relatively hefty 11 percent interest rate when she lent her own campaign \$10,000. Yet Rudy was proven to be a keen judge of credit risk when she lost the GOP primary with just 23 percent of the vote.

The next highest reported interest rate came from James George Sales, a GOP candidate for Corpus' 94th State District Court. He reported that the First National Bank lent him \$40,000 at a brutal 19 percent interest rate. Runner up Gloria Saldana, a Democratic challenger running for San Antonio's 224th District Court, borrowed \$6,500 from the San Antonio City Employees Federal Credit Union at 17 percent.

Tim Kleinschmidt, the GOP candidate for House District 17, put up his life insurance policy to secure a \$20,000 loan from Round Top State Bank. In lending \$825 to Jim Sharp, a Democratic candidate for Houston's First Court of Appeals, the candidate's wife reportedly demanded as collateral "domestic tranquility in the pursuit of justice."•

¹ Texas Election Code §253.042.