LOBBY WATCH

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Borrowing A Public Office!

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Loans Fuel 37 Percent Of Texas Campaign Spending

- **Candidates Borrow $24 Million, Usually From Selves.**
- **Sanchez Consumes 55 Percent of All Borrowed Funds.**

The campaigns of 104 Texas candidates reported borrowing an extraordinary $24,238,614 by the March 2 primary reporting deadline. This borrowed money accounted for 37 percent of the $66 million spent by all Texas candidates filing electronic disclosures.

Candidates usually doubled as the lender of most or all of their borrowed funds.[1] Other candidates personally guaranteed loans from third parties.

Borrowing more than $13 million from a bank, gubernatorial candidate Tony Sanchez accounted for 55 percent of the $24 million in political loans. Other big borrowers include comptroller candidate Marty Akins (who loaned his campaign $2.6 million), would-be Lieutenant Governor David Dewhurst (borrowing $2 million from Compass Bank) and Rep. Kenn George (who loaned himself $835,000 for a failed Land Commissioner bid).

Two would-be senators borrowed more than $500,000 apiece: failed senate candidate John Shields and Barbara Canales-Black (who faces a runoff with another big borrower: Juan Hinojosa).

An unusual high-flying borrower is Railroad Commissioner Charles Matthews, who used his airplane to guarantee a $259,658 bank loan—despite the fact that he is not now up for election. Much of his recent "campaign spending" went to maintain his plane.

Candidates Receiving the Biggest Campaign Loans

Candidate, Party	Office (Primary Result)	Loans	Loans + Donations	Loan Share of Total	Principal Lender(s)
Tony Sanchez, D	Governor (W)	$13,261,663	$18,351,444	72%	First Union Nat. Bank*
Marty Akins, D	Comptroller (U)	$2,600,000	$2,975,108	87%	Self
David H. Dewhurst, R	Lt. Governor (W)	$2,000,000	$5,587,254	36%	Compass Bank
Kenn George, R	Land Com. (L)	$835,000	$1,456,874	57%	Self
John Shields, R	S-25 (L)	$700,000	$1,107,604	63%	Self
Barbara Canales-Black, D	S-20 (R)	$653,495	$821,025	80%	Self/father/others
David P. Deison	S-30 (L)	$300,000	$387,385	77%	Texas Bank
Charles R. Matthews, R	Railroad Com. (NA)	$259,658	$405,042	64%	City Nat. Bank*
Craig L. Estes, R	S-30 (W)	$237,000	$1,001,296	24%	Self
Juan J. Hinojosa, D	S-20 (R)	$196,000	$513,370	38%	Self/Texas State Bank*

*Loan guaranteed by the candidate.

The Most Loan-Dependent Candidates

Candidate, Party	Office (Primary Result)	Loan Share of Total	Loans	Loans + Donations	Principal Lender(s)
Timoteo Garza, D	H-80 (R)	99%	$135,000	$135,750	Isidro Garza*
Glenda Dawson, R	H-29 (U)	99%	$10,000	$10,100	Self
Gary Gates, R	H-28 (L)	98%	$192,000	$196,315	Self
Douglas Cannon, R	Education Board (L)	97%	$59,000	$60,800	Self
Tad Nelson, R	H-24 (L)	96%	$56,437	$58,612	Self
John Whitworth, R	H-20 (R)	96%	$47,000	$48,850	Self
Gordon Lee, R	H-8 (L)	94%	$5,000	$5,300	Self
Bob Richardson, R	H-50 (R)	94%	$116,000	$123,680	Self
Dustin Little, R	H-20 (L)	93%	$10,000	$10,800	Self
Jill Warren, R	NA	92%	$61,372	$66,397	Self

* Loan guaranteed by the candidate.

Piquing interest

Six candidates got more than 95 percent of their money from loans. House candidates Timoteo Garza and Glenda Dawson borrowed 99 percent of their funds.

Many candidates made interest-free loans to their campaigns. But the campaign of Aaron Pena (who won the Democratic Primary for the Rio Grande Valley's House District 40) is paying an interest rate of 11 percent on $114,970 that it borrowed from the candidate and his firm. John Whitworth (who faces a Republican runoff for House District 20 Northeast of Austin) is charging 10 percent on the $47,000 that he loaned his campaign.

Texas law allows politicians to use campaign contributions to pay the principal and "commercially reasonable" interest rates on certain loans. But lawmakers and the Texas Ethics Commission have never defined "commercially reasonable."[2]

In contrast, the campaign of banker Tony Sanchez is now paying an interest rate of just 3.5 percent on its First Union National Bank loans, which Sanchez personally guaranteed.[3]

Loan ethics

After Clayton Williams self-financed his 1990 gubernatorial bid, watchdogs warned that more-successful rich candidates could abuse the post-election, "late-train" fundraising period to lean on special interests to retire their debts, says Suzy Woodford of Common Cause.

In 1991, the Texas Legislature put some limits on campaigns using contributions to retire debt. Under that law, gubernatorial candidates can use campaign contributions to repay up to $500,000 in *personal* loans for each election that they face (primary, runoff *and* general). Other non-judicial statewide candidates can use contributions to repay *personal* loans of up to $250,000 per election.

These indulgent limits contain gaping loopholes. While they put some limits on what candidates can repay themselves, they place no limits on the use of contributions to repay *third-party* loans. To dodge repayment limits, rich candidates such as Tony Sanchez and David Dewhurst have obtained *third-party* bank loans that are explicitly or implicitly secured by their own assets.[4]

In another huge loophole, state lawmakers have never imposed any loan repayment limits on themselves. Instead, this 10-year-old law merely instructs the Texas Ethics Commission to recommend repayment limits for legislative candidates, something that the Ethics Commission has never done. John Shields recently illustrated the scope of this loophole when he loaned himself $700,000 for a failed Senate primary run. •

[1] Like most people, *Lobby Watch* calls it a "loan" when candidates spend their own funds on their campaigns with the expectation of being reimbursed. Technically, the Texas Ethics Commission says that only third parties can "loan" money to campaigns (see, for example, Ethics Advisory Opinion No. 389, January 16, 1998).
[2] Texas Election Code, Title 15, § 253.042.2(e).
[3] Sanchez got a floating rate based on the LIBOR rate (2.01 % on March 15, 2002) plus 1.5 percent.
[4] The Texas Ethics Commission approved this dodge in Ethics Advisory Opinion No. 389, January 16, 1998.