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Surrounded by members of his family, Republican presidential candidate, former U.S. Sen. Rick Santorum announces he will be suspending his campaign during a press conference at the Gettysburg Hotel on April 10, 2012 in Gettysburg, Pennsylvania. Photographer: Jeff Swensen/Getty Images

Bloomberg News

Bowing Out of Presidential Campaign Puts Debt Burden on Santorum

By Julie Bykowicz on April 19, 2012

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Hours after dropping out of the presidential race this month, Rick Santorum fired off an e-mail to supporters asking for “one more” contribution: “I am planning to do everything in my power to bring a change about in the White House,” he wrote. “But our campaign has debt, and I cannot be free to focus on helping defeat” President Barack Obama “with this burden.”

Santorum maintains his campaign is less than \$1 million in debt, and his adviser John Brabender says, “We feel good that in short order we’ll be able to wrap things up.” Still, if history is any indication, the former Pennsylvania senator may be living with the financial legacy of his failed candidacy for a long time, Bloomberg Businessweek reports in its April 23 issue.

Running for president is exhausting and all-consuming. Putting an end to a presidential campaign can be a nightmare that lasts years.

There are employees, consultants, lawyers, and advertising makers clamoring to be paid, ad buys to cancel, contracts and legal disputes to settle, office space, computers, phones, and furniture around the country to unload, and a pile of disclosure forms and other paperwork to complete before the Federal Election Commission will certify that a campaign is officially over.

Short-Lived Business

“I would often say to people: Imagine starting a \$100 million business from zero, building it up, running it, and then bringing it back down to zero all within nine months or a year’s time,” says Joe Stoltz, the FEC’s former director of auditing. “You don’t see many businesses come and go that quickly. It’s not easy.”

Four years after running for president, Hillary Clinton has yet to close out her campaign; the secretary of state, a Democrat, owes \$245,000 to a consultant, FEC records show.

Same for Senator John McCain, the 2008 Republican presidential nominee, whose campaign has leftover funds he still has to disburse. Former New York Mayor and Republican presidential candidate Rudy Giuliani owes various people a total of \$2.6 million. And former Democratic presidential hopeful John Edwards, a onetime North Carolina senator, has unpaid bills of \$333,586.

Former President Bill Clinton won re-election in 1996. The FEC hasn’t closed the book on his campaign either -- he’s disputing \$319,630 in debts.

38 Candidacies

It’s hard even to remember that Republicans Bob Barr and Alan Keyes and Democrats Al Sharpton and Christopher Dodd ever ran for president. The FEC hasn’t forgotten; each of their campaigns is officially alive. In all, 38 past presidential contenders going back 16 years are still candidates, if only in the eyes of the federal government.

Santorum and several of his Republican rivals have joined the ranks of former contenders in limbo. Georgia businessman Herman Cain says contributions started drying up late last year as allegations swirled about his extramarital affairs. He dropped out in part to avoid spending years putting his debts behind him.

“As a businessman, I knew if I continued on as contributions started to drop off, I’d end up with significant debt,” he says in an e-mail. His campaign owes \$450,000 -- the amount Cain lent to his presidential bid. The FEC still counts that as money owed, and to settle up, Cain can raise money to pay himself back or choose to forgive the debt.

‘Roller-Coaster Ride’

Being rich definitely helps ease the burden of retiring debt. Former Utah Governor Jon Huntsman Jr. lent his campaign a total of \$4.1 million. Abby Huntsman, a spokeswoman for her father, says he’s paying invoices “aggressively,” adding in an e-mail: “The roller coaster ride does not stop with the end of the campaign.”

If former U.S. House Speaker Newt Gingrich concedes the nomination to Mitt Romney, he’ll be staring down about \$4.5 million in debt, according to his campaign’s estimates. As of the end of February, his unpaid bills included private jets, tour buses, and security guards. He also had outstanding bills from an array of consultants.

Candidates seeking to wring cash out of supporters often find that most of them already have given the maximum they can under election laws. And few people want to give money to a candidate after he’s lost.

Hard to Raise

“Debt-retirement money is the hardest kind of money in politics to raise,” says Michael Toner, a campaign finance attorney whose clients included former President George W. Bush and former Kansas Senator Bob Dole, the 1996 Republican presidential nominee.

Officeholders may have an easier time raising money after they exit the race because at least they have a claim on donors’ attention.

Michele Bachmann, the Minnesota congresswoman, dropped out of the Republican presidential race in January with roughly \$1.1 million in unpaid bills for everything from golf carts to photographers. Chase Kroll, a campaign spokesman, says in an e-mail that his boss recently raised half a million dollars for her re-election to Congress and that he’s “highly confident” she will also pay off her presidential debts.

One time-proven way to help dispatch campaign bills quickly: Broker a truce with the winner.

Tim Pawlenty, the former Minnesota governor, racked up \$435,542 in debts in his four-month-long campaign last year for the Republican presidential nomination. Soon after he quit, he endorsed Romney, a former Massachusetts governor, and the money started pouring in.

Debt-Free

According to USA Today, more than half the funds Pawlenty raised came from Romney’s family, staff and supporters; he’s now debt-free.

Likewise, Hillary Clinton abandoned her 2008 presidential run with debt of \$25 million. Obama intervened, asking his supporters to send her donations. She sold a \$50 DVD of her speeches, raffled off a day with Bill Clinton, and offered to rent out her e-mail list -- the Clinton Foundation took her up on that. She also wrote off \$13.2 million she’d lent to the campaign.

While failure to pay off debt is an option, it can take decades before the FEC will let a candidate off the hook. John Glenn, the first U.S. astronaut to orbit the Earth, took 22 years to escape the gravitational pull of his failed 1984 Democratic presidential bid. He used a \$2 million bank loan to help finance his campaign, then withdrew from the race with the debt still on his books. He chipped away at it over the years, never raising enough to settle up. In 2006, the FEC closed out his campaign with the debt unpaid.

Corporate Jets

Four years after running for the Oval Office, Giuliani still has \$2.6 million in unpaid bills for corporate jets, security details, and \$1.1 million in loans to his campaign.

If a former candidate can’t zero it out, a campaign may ask vendors for a settlement, “sometimes pennies on the dollar,” says Stoltz, and get the FEC to approve the plan. Candidates themselves aren’t personally liable.

A few will leave their campaign coffers open on purpose. Former Republican Representative Bob Dornan of California, who ran for president in 1996, owes himself \$150,000 -- money he says he’s never tried to raise and will write off when he finally closes the campaign one day. That is, if he doesn’t run again.

‘Flags Flying’

“Hope springs eternal,” says the 79-year-old. The account’s a point of pride, he adds: People “can see that I

left with all of my flags flying and owing no money to anybody but myself.”

The luckiest candidates -- Democrat Howard Dean, Republican Rick Perry -- still have money left in their coffers when they call it quits. They can give it away to approved charities, party committees, and super-political action committees, under FEC rules.

Even that can take years. McCain has given \$8.6 million to charity and has \$1.8 million more to dispense. Four years after he ended his 2000 campaign, former Vice President Al Gore was still giving money away, including \$6.5 million to various Democratic Party committees. He had enough left over to give his own charity, Climate Project, \$100,000.

Before Gore could close the book on his campaign, he had to undergo an exhaustive government audit required of all candidates who take public financing. Gore staffer Keri Adams spent 18 months arranging contribution checks in numerical order, organizing invoices, and making spreadsheets of phone bills to help the audit go smoothly.

She and a half-dozen other employees huddled among boxes and reams of paperwork in a Washington office with FEC auditors, never socializing with them for fear of being accused of developing improper relationships.

“People say, ‘Oh my God, that sounds like torture.’ And it was,” Adams says. “The amount of bureaucracy was truly amazing.”

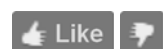
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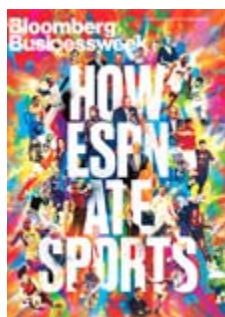
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