INTRODUCTION AND DISCLAIMER

The 2014 elections will surely have a significant impact on the nation’s politics and policies. Defining that impact exactly is challenging in the immediate hours after the election and will likely take many years to be realized.

In order to begin a dialogue with our clients to better understand the initial implications of the 2014 elections, Cornerstone Government Affairs has assembled the following report, with contributions from our 50 professionals.

We understand that information in this report may quickly become dated which will have an effect on the validity of some of our forecasts. We offer this report to our clients as our best effort to enable you to “look around the corner” with us to see the challenges and opportunities that we will assist you in navigating in the months ahead.

We look forward to discussing these issues with you.

November 5, 2014 (Ver. 1.0, 8:00 PM)
Table of Contents

Election Overview ................................................................................. 1
United States Senate ........................................................................... 3
House of Representatives ...................................................................... 6
Views from the States .......................................................................... 9
The Lame Duck Session ....................................................................... 24
Issue: Agriculture ................................................................................ 29
Issue: Budget & Appropriations ............................................................. 32
Issue: Defense ..................................................................................... 34
Issue: Education .................................................................................. 36
Issue: Energy & Environment ................................................................. 38
Issue: Health ........................................................................................ 40
Issue: Homeland Security .................................................................... 43
Issue: Tax Policy .................................................................................. 45
Issue: Technology & Telecommunications ............................................. 47
Issue: Transportation ............................................................................. 50
Appendices: New Members, Departing Members ................................. 52
Election Results
Election Overview

KEY TAKEAWAYS

- According to the nonpartisan Center for Responsive Politics, the 2014 midterms are officially the most expensive midterms ever at over $4 billion, eclipsing 2010 by $400 million.
- For the first time ever, more than 100 women will be serving in Congress. Joni Ernst will be the first woman elected to federal office from the State of Iowa. Shelley Moore Capito will be the first female senator from West Virginia and the first Republican senator from the state since 1959. Mia Love, who won in Utah’s 4th district, is the first black woman to be elected as a GOP representative.
- With at least 246 Members, the GOP has its largest House majority since 1947.
- Republicans increased their majority of governors from 29 to 31. There are six new GOP governors, including 4 in previously Democratic-held states (AR, MD, IL, and MA).

The 2014 midterm elections followed a well-established pattern that has afflicted almost every second term president since Franklin Delano Roosevelt—a loss of seats in Congress. Since World War II, the average loss of seats has been six in the Senate and 29 in the House. With several races still undecided, the Republicans appear to have gained at least 14 seats in the House and seven in the Senate, with the Alaska and Virginia Senate races still uncalled and the Louisiana Senate seat still up for grabs pending a December runoff. With a likely gain of eight or nine seats in the Senate, the Republicans regained control of both Houses of Congress for the first time since 2007. This newly unified Congress now presents the nation with a divided government that must balance the sharp differences between the two parties and the clear message from the voters for compromise, cooperation and governing.

Against a modern electoral trend that only President Clinton defied, the change in control of the Senate remains significant and staff in the White House, Congress and party headquarters are already dissecting polling data and election results in an effort to determine what influenced voters, engaged voters and drove turnout. Perhaps most importantly, they will use answers to those questions to impact the agenda of the 114th Congress as well as the 50 state capitols.

Let’s start with what drove the electorate. It seems clear that the national environment was shaped by both dissatisfaction with President Obama and an overall frustration with dysfunction and gridlock in Washington. Indeed, the last time a president lost a governorship in his home state was 1892. While the electorate’s actions are consistent with historic cycles, Tuesday’s results appear to betray a number of unique factors that amplified an anti-Obama sentiment. Most notably: 1) the economy remains in low gear six years past the 2008 collapse; 2) the country remains engaged in significant foreign conflicts with no sign of abatement and a growing concern over policy direction; 3) Senate Democrats were protecting a vulnerable map from the outset; 4) midterms typically boast lower turnout from traditional Democratic constituencies; and 5) both parties are only beginning to master the tactics of today’s big-data political warfare conducted with billions of dollars, quasi-coordinated outside groups, and not yet perfected demographic modeling.
ANALYSIS OF THE 2014 ELECTIONS

With specific regard to approval ratings, neither President Obama nor Congress are about to win American Idol. The President’s approval rating at the end of October was at 40 percent, with a full 65 percent expressing that the country is on the “wrong track.” Digging further, on the Sunday before Election Day, the President’s approval rating in three states with key Senate races was 32 percent (KY); 39 percent (LA); and 41 percent (GA). The President’s ratings were in the low 40’s in Colorado and barely over 40 percent in Iowa, two states he carried in 2012. While Louisiana remains undecided, the Republicans held the seats targeted by Democrats in Kentucky, Georgia and Kansas, and gained seats in Colorado, Montana, West Virginia, South Dakota, North Carolina, Alaska and Iowa.

While the President wallows in between 30-45 percent approval rating, Congress can only aspire to those numbers with a job approval of 13 percent. To boot, Congress has passed only 163 bills into law (for reference, 284 were signed in the 112th and 906 in the “do-nothing Congress” of 1947-48).

At first blush, it might appear that the next two years of governing are structurally condemned to gridlock, yet there are prospects for constructive action. First, Republicans are now tasked with passing bills in a united Congress, even if subject to a presidential veto. Second, slow movement in Washington is likely to fuel a growing trend of increased power and action in the states. Finally, at least initially there is talk of the need for and possibility of compromise on issues such as energy, trade, taxes and infrastructure spending. Other big issues to potentially be considered include a new look at immigration reform and targeted changes to the Affordable Care Act, as well as issues such as telecom reform and a return to regular order on appropriations bills.

Moving forward it will be interesting to see what, if anything, will change with the environment in Washington and what that will mean for the 114th Congress. In the short-term, the bigger question is how the interpretation of yesterday’s results and the pending change in control of the Senate will be viewed in the halls of Congress and how that will impact the environment surrounding the pending lame duck session.

With a significant number of new Republican members in Congress, there will be a number of changes, particularly in the Senate, in both the leadership as well as committee composition (detailed later). Similarly, the last two years of Obama’s administration will likely feature a number of new faces as staff depart for the private sector and the President attempts to seal his legacy. These changes are likely to spur some action, especially when combined with the horse race that is the 2016 presidential election. A minimum of two alumni of the Obama administration are actively considering running for the White House and no less than a dozen current members of Congress are exploring their own Oval Office bids.

While the headlines may illuminate conflict over collaboration and the 2016 races over legislative lurches, Congress and the administration will assuredly advance multiple agendas through the committees and regulatory bodies. Their jobs in 2016 depend on it!

In the end, one thing is for sure. No matter where you sit and no matter how you interpret what happened yesterday, today marks the first day of the 2016 presidential race.
Republicans erased the ghosts of 2010 and 2012 and grabbed control of the Senate for the first time in nearly a decade on Tuesday, overturning the balance of power in Washington. GOP candidates knocked off Democratic incumbents in Arkansas, Colorado, and North Carolina, and flipped open seats in Iowa, Montana, South Dakota, and West Virginia. Races in Alaska and Virginia remain uncalled, but if current margins hold, Republicans will take a 53-46 advantage into a December 6 runoff of the Louisiana contest between Sen. Mary Landrieu and GOP challenger Rep. Bill Cassidy.

The GOP message was simple: a vote for a Democrat is a vote for President Obama. Sens. Mark Pryor (D-AR) and Kay Hagan (D-NC), representing states carried by Mitt Romney in 2012, were unable to shake that narrative and were defeated by Rep. Tom Cotton and Thom Tillis, respectively. Democrats running in traditionally red states like Montana, South Dakota, and West Virginia stood no chance. The animosity toward the Obama administration extended even to Colorado and Iowa—states the president carried in both 2008 and 2012. As Politico wrote today, “Democrats were never able to escape [that message].”

In the end, the Republican rout was decisive. Democrats held on in Michigan and New Hampshire—and should end up on top in a closer-than-expected Virginia contest—but lost every other competitive race. Potential flips in Kansas, Georgia, and Kentucky turned out to be pipe dreams, with Democratic challengers falling by wide margins. “An election that started as trench warfare ... crested into a sweeping Republican victory,” the New York Times wrote. “Contests that were expected to be close were not, and races expected to go Democratic broke narrowly for the Republicans.”

**LEADERSHIP**

Sen. Mitch McConnell (R-KY) is poised to ascend to majority leader after 8 years as GOP leader. A master of Senate procedure, McConnell has said he wants to return the Senate to its former glory—more open debate, more amendments, more days in session, less partisanship. McConnell’s deputy, Sen. John Cornyn (R-TX), is expected to become majority whip, with Sen. John Thune (R-SD) keeping his No. 3 spot. The race for NRSC chair is expected to be between Sens. Dean Heller (R-NV) and Roger Wicker (R-MS).
On the Democratic side of the aisle, Majority Leader Harry Reid (D-NV) has announced his intention to run for minority leader, and his three key deputies—Majority Whip Dick Durbin (D-IL), Sen. Chuck Schumer (D-NY), and Sen. Patty Murray (D-WA)—all have vowed to back Reid as leader.

**EFFECT ON SENATE DIRECTION**

Indicators of the direction a Republican-controlled Senate will take will be apparent early in the 114th Congress. Senate Republicans—and some Democrats, for that matter—have been vocal in their complaints about the lack of “regular order” under Democratic control, and McConnell has stated that one of his primary jobs is “to get the Senate working again.” Two key tests to Senate procedure will provide a clear indication of the commitment Republican leadership has to moving the Senate back into action.

The first, a little-known process for blocking minority amendments called “filling the amendment tree,” was widely employed in the 113th Congress. According to the GOP’s own statistics, Leader Reid has “filled the tree” over 90 times in his tenure, whereas the previous six majority leaders, reflecting 20 years of Senate leadership, used the procedure a combined 40 times. Many will be watching to see how many minority amendments GOP leadership allows to receive votes in the new Congress.

In addition, a key litmus test for the desire of the new majority to return the Senate to its tradition role of debate and consensus will be whether or not Republicans will reverse the elimination of the filibuster on judicial nominees. Through a series of parliamentary procedures in 2013, Democrats were able to reduce the threshold for votes required to confirm judicial nominees. This rule change, popularly referred to as the “nuclear option,” was conceived by Republican leadership over a decade ago, but never acted upon. Conservative groups have already called upon the incoming GOP leadership to maintain the Democratic rule change; however, many Republican senators, including those in leadership positions, are on record in opposition to that action.

Senate Republican leaders have been clear on their positions related to these seemingly-arcane, but pivotal, procedure issues. If they carry out these positions, this may send a message to their Democratic counterparts regarding their intent to govern effectively. However, the changing, more conservative, makeup of the Republican conference may be a source of tension exposing the difference between the leadership’s desire for the Senate to produce legislation and their ability to create consensus within a conference marked by divergent and competing goals. While most of the incoming GOP freshman senators were candidates selected and supported by the Republican Party establishment (and therefore presumably will vote with the GOP leadership on important issues), there are still several conservative and more independent-minded members with whom the leadership must work.

A number of moderate Democrats were defeated Tuesday, and the Democratic caucus continues to inch to the left. This divide may not matter, however, as McConnell made it clear Tuesday that he will focus on legislating big deals with the White House. In his words, “the only Democrat that matters is President Obama.”

**IMPACT 2016**

As bad as the 2014 map was for Democrats, the 2016 map is equally as scary for Republicans. Twenty-four GOP-held seats will be on the ballot, and Democrats surely envision GOP-held seats in Illinois (Mark Kirk), New Hampshire (Kelly Ayotte), Wisconsin (Ron Johnson), and Pennsylvania (Pat Toomey) as prime pickup opportunities. Florida could also be in play, especially if Marco Rubio decides to run for president. Republi-
cans see potential pickups in Nevada (Reid) and Colorado (Michael Bennet); however, the electorate in 2016 should prove far more favorable to Democrats than it was in either 2010 or 2014.

In one way, what happened Tuesday was fairly predictable—when a somewhat unpopular Democrat is in the White House, red state Democrats, in a midterm cycle, will struggle. It’s really no different than what happened to a handful of blue state Republicans under President Bush in 2006. Democrats would be well-served, however, by undertaking an honest post-mortem of why, despite having apparent advantages in technology, mobilization, and get-out-the-vote efforts, they were unable to turn out their coalition. One has to ask—is the coalition that voted in 2008 and 2012 a Democratic coalition, or was it merely an Obama coalition? If it’s the latter, will it turn out for the next Democratic nominee? And, as the New York Times wrote today, is it a coalition built for the long haul? “More broadly, this year’s election illustrated the geographical limitations of a party the president powerfully remade with a young and diverse coalition. In his two convincing presidential victories, Obama showed a new way for Democrats to win by solidifying their hold on liberal-leaning states and making gains in places with fast-changing demographics. But he is almost certain to leave his party weaker in the states that are crucial to retaining a congressional majority.”

<table>
<thead>
<tr>
<th>Senate Committee</th>
<th>Chair</th>
<th>Ranking Democrat Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Pat Roberts (KS)</td>
<td>Debbie Stabenow (MI)</td>
</tr>
<tr>
<td>Appropriations</td>
<td>Thad Cochran (MS)</td>
<td>Barbara Mikulski (MD)</td>
</tr>
<tr>
<td>Armed Services</td>
<td>John McCain (AZ)</td>
<td>Jack Reed (RI)</td>
</tr>
<tr>
<td>Banking</td>
<td>Richard Shelby (AL)</td>
<td>Sherrod Brown (OH)</td>
</tr>
<tr>
<td>Budget</td>
<td>Jeff Sessions (AL)</td>
<td>Bernie Sanders (VT) or Sheldon Whitehouse (RI)</td>
</tr>
<tr>
<td>Commerce</td>
<td>John Thune (SD)</td>
<td>Bill Nelson (FL)</td>
</tr>
<tr>
<td>Energy and Natural Resources</td>
<td>Lisa Murkowski (AK)</td>
<td>Mary Landrieu (LA) or Maria Cantwell (WA)</td>
</tr>
<tr>
<td>Environment and Public Works</td>
<td>Jim Inhofe (OK)</td>
<td>Barbara Boxer (CA)</td>
</tr>
<tr>
<td>Finance</td>
<td>Orrin Hatch (UT)</td>
<td>Ron Wyden (OR)</td>
</tr>
<tr>
<td>Foreign Relations</td>
<td>Bob Corker (TN)</td>
<td>Bob Menendez (NJ)</td>
</tr>
<tr>
<td>HELP</td>
<td>Lamar Alexander (TN)</td>
<td>Patty Murray (WA)</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>Ron Johnson (WI)</td>
<td>Tom Carper (DE)</td>
</tr>
<tr>
<td>Indian Affairs</td>
<td>John Barrasso (WY)</td>
<td>Jon Tester (MT)</td>
</tr>
<tr>
<td>Intelligence</td>
<td>Richard Burr (NC) or Jim Risch (ID)</td>
<td>Dianne Feinstein (CA)</td>
</tr>
<tr>
<td>Judiciary</td>
<td>Chuck Grassley (IA)</td>
<td>Patrick Leahy (VT)</td>
</tr>
<tr>
<td>Rules</td>
<td>Roy Blunt (MO)</td>
<td>Chuck Schumer (NY)</td>
</tr>
<tr>
<td>Small Business</td>
<td>Risch or David Vitter (LA)</td>
<td>Cantwell or Ben Cardin (MD)</td>
</tr>
<tr>
<td>Veteran Affairs</td>
<td>Burr or Johnny Isakson (GA)</td>
<td>Sanders or TBD</td>
</tr>
</tbody>
</table>
ANALYSIS OF THE 2014 ELECTIONS

House of Representatives

KEY TAKEAWAYS

- At time of writing, Republicans have won 243 seats, with 14 races uncalled. If current margins hold, the GOP will head into the 114th Congress with at least 248 seats—the party’s largest majority since 1947.

- House Speaker John Boehner (R-OH), Majority Leader Kevin McCarthy (R-CA), and Minority Leader Nancy Pelosi (D-CA) each announced they would seek to stay in their current role.

- John Barrow (GA), the last white House Democrat representing a Deep South district, lost his bid for a sixth term. Barrow was one of 12 incumbents to fall on Tuesday. Another four—all Democrats—trail in races that remain uncalled.

OVERVIEW

While the fate of the Senate has been an ever-present debate in Washington for the past year, the disposition of the House was never really in doubt. Midterm elections are often course corrections for congressional districts and generally work against the president’s party, particularly in a president’s second term. This year may have redefined that narrative. Districts that were long catalogued as Republican in presidential votes, yet represented by a Democrat (UT-04, NC-07, and GA-12) were realigned, all but assuring GOP gains. The initial analysis of the net GOP pick-up of at least 10 seats, with 15 clearly within reach, doesn’t suggest a new agenda, but rather a continuation of historical midterm corrections, that, when combined with the wave represented in the Senate outcome, is largely a reflection on the President’s popularity.

Republicans headed into November with 233 seats in the House—Democrats controlled 201. Even in the face of Congress’ perennially low approval ratings, the old adage of “I don’t like Congress, but I like my Congressman” appears to be largely intact, with two Republicans and 14-17 Democratic incumbents being the exceptions.

IMPACT ON 114TH HOUSE DIRECTION

House Republicans will continue to serve as a check on the Obama administration, but gladly welcome the newfound Senate majority. The biggest difference between the 113th and 114th Congresses will largely be Speaker Boehner and Leader McConnell working to create a cohesive approach, seeking to govern towards results while presenting a unified message. There is a sense that the GOP majority has a much greater responsibility to govern well. To be sure, there will be a few outliers, but the House GOP will mostly toe the line, all with an eye looking towards 2016.

There will be continued efforts to repudiate what they perceive as an overly large and intrusive government and failed foreign policy, largely via aggressive use of the oversight gavel in both bodies. In addition, we expect that targeted efforts (appropriations riders and narrow legislative “checks”) against an administration expected to aggressively promulgate rules and regulations that are largely contrary to Republican policy and political goals will be front and center. In all likelihood, the House will act quickly to send President Obama bipartisan bills on international trade agreements, repeal of the medical devices tax, and
Keystone XL pipeline approval. Although House Republicans will likely promote largely symbolic votes to repeal the Affordable Care Act, it is not outside the realm of possibility that more targeted fixes acceptable to the president’s palate will be passed this year.

**LEADERSHIP**

House Republicans will hold leadership elections and organization meetings November 12th and 13th, providing possible challengers little opportunity to organize. Given the relatively recent leadership changes resulting from former Majority Leader Eric Cantor’s primary collapse, the expansion of the majority, Team Boehner’s fundraising numbers/non-stop candidate support travel around the country, and the early good will earned by Leader McCarthy and Majority Whip Scalise, other than Policy Committee Chairmen (necessitated by Rep. James Lankford’s election to the Senate) we do not see a substantial shake-up in the GOP leadership team. Now, if you ask us in two years …

Minority Leader Nancy Pelosi, who has led the party since 2003, announced her intention to remain atop the Democratic caucus. We see no reason why that won’t be the case. Pelosi is the party’s best fundraiser, and hauled in more than $100 million for Democrats this cycle. If Pelosi is indeed back in charge, Minority Whip Steny Hoyer (MD) and Assistant Democratic Leader Jim Clyburn (SC) are likely to return, as well. The million dollar question: how long will some of the party’s young leaders (Jared Polis, Xavier Becerra, etc.) quietly wait for the old guard to step away?

Projected Republican and Democratic leadership for the 114th Congress:

**Republicans:**
- Speaker: Rep. John Boehner (OH)
- Majority Leader: Rep. Kevin McCarthy (CA)
- Chief Deputy Whip: Rep. Patrick McHenry (NC)
- Conference Chairman: Reps. Cathy McMorris Rogers (WA)

**Democrats:**
- Minority Leader: Reps. Nancy Pelosi (CA)
- Minority Whip: Reps. Steny Hoyer (MD)
- Assistant Democratic Leader: James Clyburn (SC)
- Caucus Chair: Rep Xavier Becerra (CA)
### House Committee

<table>
<thead>
<tr>
<th>House Committee</th>
<th>Chair</th>
<th>Ranking Democratic Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Michael Conaway (TX)</td>
<td>Collin Peterson (MN)</td>
</tr>
<tr>
<td>Appropriations</td>
<td>Hal Rogers (KY)</td>
<td>Nita Lowey (NY)</td>
</tr>
<tr>
<td>Armed Services</td>
<td>Mac Thornberry (TX) or Randy Forbes (VA)</td>
<td>Adam Smith (VA)</td>
</tr>
<tr>
<td>Budget</td>
<td>Tom Price (GA)</td>
<td>Chris Van Hollen (MD)</td>
</tr>
<tr>
<td>Education and Labor</td>
<td>John Kline (MN)</td>
<td>Bobby Scott (VA)</td>
</tr>
<tr>
<td>Energy and Commerce</td>
<td>Fred Upton (MI)</td>
<td>Frank Pallone (NJ) or Anne Eshoo (CA)</td>
</tr>
<tr>
<td>Financial Services</td>
<td>Jeb Hensarling (TX) or Frank Lucas (OK)</td>
<td>Maxine Waters (CA)</td>
</tr>
<tr>
<td>Foreign Affairs</td>
<td>Ed Royce (CA)</td>
<td>Eliot Engel (NY)</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>Michael McCaul (TX)</td>
<td>Bernie Thompson (MS)</td>
</tr>
<tr>
<td>House Administration</td>
<td>Candice Miller (MI)</td>
<td>Robert Brady (PA)</td>
</tr>
<tr>
<td>Select Committee on Intelligence</td>
<td>Devin Nunes (CA)</td>
<td>Dutch Ruppersberger (MD)</td>
</tr>
<tr>
<td>Judiciary</td>
<td>Bob Goodlatte (VA)</td>
<td>John Conyers (MI)</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>Rob Bishop (UT)</td>
<td>Raul Grijalva (AZ) or Grace Napolitano (CA)</td>
</tr>
<tr>
<td>Oversight and Government Reform</td>
<td>Jason Chaffetz (UT), Mike Turner (OH), or Jim Jordan (OH)</td>
<td>Elijah Cummings (MD)</td>
</tr>
<tr>
<td>Rules</td>
<td>Pete Sessions (TX)</td>
<td>Louise Slaughter (NY)</td>
</tr>
<tr>
<td>Science and Technology</td>
<td>Lamar Smith (TX)</td>
<td>Eddie Bernice Johnson (TX)</td>
</tr>
<tr>
<td>Small Business</td>
<td>Steve Chabot (OH)</td>
<td>Nydia Velazquez (NY)</td>
</tr>
<tr>
<td>Transportation and Infrastructure</td>
<td>Bill Shuster (PA)</td>
<td>Peter DeFazio (OR) or John Garamendi (CA)</td>
</tr>
<tr>
<td>Veteran Affairs</td>
<td>Jeff Miller (FL) or Doug Lamborn (CO)</td>
<td>Corrine Brown (FL)</td>
</tr>
<tr>
<td>Ways and Means</td>
<td>Paul Ryan (MI) or Kevin Brady (TX)</td>
<td>Sander Levin (MI)</td>
</tr>
</tbody>
</table>
State Overview

While the congressional elections and particularly the Republican takeover of the U.S. Senate garnered most of the time and attention on Election Day, there were several key changes at the state level among governors and other statewide-elected officials as well as control of state legislatures.

Perhaps the most interesting changes occurred at the gubernatorial level where Republicans beat Democrats in the decidedly blue states of Illinois, Maryland and Massachusetts, and held the seat in Maine. In Illinois Republican businessman Bruce Rauner beat Democratic incumbent Pat Quinn. In Maryland Republican businessman Larry Hogan beat Democratic Lt. Governor Anthony Brown. In Massachusetts Republican businessman Charlie Baker defeated Democratic Attorney General Martha Coakley.

However, it was not a total loss for Democrats – a few key incumbents held off surprisingly strong challenges to retain their seats including John Hickenlooper in Colorado, John Kitzhaber in Oregon and Peter Shumlin in Vermont.

Overall, Republicans now control 31 governorships while Democrats control 18 with one Independent. There were 30 incumbent governors running for reelection:

<table>
<thead>
<tr>
<th>State</th>
<th>Incumbent</th>
<th>Elected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>Robert Bentley</td>
<td>Robert Bentley</td>
</tr>
<tr>
<td>Alaska</td>
<td>Sean Parnell</td>
<td>Too close to call</td>
</tr>
<tr>
<td>California</td>
<td>Jerry Brown</td>
<td>Jerry Brown</td>
</tr>
<tr>
<td>Colorado</td>
<td>John Hickenlooper</td>
<td>John Hickenlooper</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Dan Malloy</td>
<td>Too close to call</td>
</tr>
<tr>
<td>Florida</td>
<td>Rick Scott</td>
<td>Rick Scott</td>
</tr>
<tr>
<td>Georgia</td>
<td>Nathan Deal</td>
<td>Nathan Deal</td>
</tr>
<tr>
<td>Guam</td>
<td>Eddie Calvo</td>
<td>Eddie Calvo</td>
</tr>
<tr>
<td>Idaho</td>
<td>C.L. “Butch” Otter</td>
<td>C.L. “Butch” Otter</td>
</tr>
<tr>
<td>Illinois</td>
<td>Pat Quinn</td>
<td>Bruce Rauner</td>
</tr>
<tr>
<td>Iowa</td>
<td>Terry Branstad</td>
<td>Terry Branstad</td>
</tr>
<tr>
<td>Kansas</td>
<td>Sam Brownback</td>
<td>Sam Brownback</td>
</tr>
</tbody>
</table>
There were nine open races in which the incumbent governor was term-limited, lost in the primary election, or indicated that they would not seek reelection.

<table>
<thead>
<tr>
<th>State</th>
<th>Incumbent</th>
<th>Elected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>Jan Brewer</td>
<td>Doug Ducey</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Mike Beebe</td>
<td>Asa Hutchinson</td>
</tr>
<tr>
<td>Hawaii</td>
<td>Neil Abercrombie</td>
<td>David Ige</td>
</tr>
<tr>
<td>Maryland</td>
<td>Martin O’Malley</td>
<td>Larry Hogan</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Deval Patrick</td>
<td>Charlie Baker</td>
</tr>
<tr>
<td>Nebraska</td>
<td>Dave Heineman</td>
<td>Pete Ricketts</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>Lincoln Chafee</td>
<td>Gina Raimondo</td>
</tr>
<tr>
<td>Texas</td>
<td>Rick Perry</td>
<td>Greg Abbott</td>
</tr>
<tr>
<td>US Virgin Islands</td>
<td>John deJongh, Jr.</td>
<td></td>
</tr>
</tbody>
</table>
ANALYSIS OF THE 2014 ELECTIONS

Among the state legislatures, Republicans made additional gains and according to one source, control more statehouses than at any time since 1920.

REPUBLICANS PICKED UP CHAMBERS IN:

Nevada Senate
Minnesota House
West Virginia House

REPUBLICANS HELD THE BELOW MAJORITIES AND SUPERMAJORITIES WITH MORE TO COME:

AL House (supermajority)
AL Senate (supermajority)
AR House (expanded majority)
AR Senate (supermajority)
AZ House
AZ Senate
FL House (expanded supermajority)
FL Senate
GA House
GA Senate (supermajority)
IA House (expanded majority)
ID House
ID Senate
IN House (supermajority)
IN Senate (expanded supermajority)
KS House (expanded majority)
MI House (expanded majority)
MI Senate (expanded supermajority)
MO House (expanded supermajority)
MO Senate (expanded supermajority)
MT House
MT Senate
NC House (supermajority)
NC Senate (supermajority)
ND House
ND Senate
NY Senate (outright majority)
OH House (expanded supermajority)
OH Senate (supermajority)
OK House (supermajority)
OK Senate (expanded supermajority)
PA House (expanded majority)
PA Senate (expanded majority)
SC House
SD House
SD Senate
TN House (supermajority)
TN Senate (expanded supermajority)
TX House (expanded majority)
TX Senate
UT House
UT Senate
WA Senate (outright majority)
WI Assembly (expanded majority)
WI Senate (expanded majority)
WY House
WY Senate

ADDITIONALLY, REPUBLICANS ENDED DEMOCRATIC SUPERMAJORITY IN:

MD House
VT House
View from the States: Illinois

KEY TAKEAWAYS

- If Governor-elect Rauner views the mixed results as a mandate to “change Springfield” there will be significant gridlock or Rauner will not achieve his objectives.

- House Speaker Madigan and Senate President Cullerton continue to hold significant power with veto proof majorities for issues of true concern.

- The overall results portray an electorate voting more against Pat Quinn than voting for Bruce Rauner and his platform.

GUBERNATORIAL RACE

Republican Bruce Rauner secured a much easier than expected victory in the Illinois gubernatorial race. Governor-elect Rauner’s campaign focused on his business acumen and his promise to “shake up state government.” To that end, the Rauner campaign targeted the current Governor, Speaker of the House, and Senate President as the cause of the state’s economic problems. In addition to giving his own campaign millions of dollars, Rauner also donated substantial amounts to the State Republican Party in an effort to win seats in the House of Representatives and chip away at Speaker Madigan’s power. That effort proved unsuccessful and the new Governor will need to work with veto-proof Democratic majorities in both state houses.

Adding to the mixed nature of the election results is the outcome of several ballot initiatives. The Rauner campaign had mixed messages with regard to an increase to Illinois’ minimum wage, at one point arguing for its repeal then later for an additional increase. That last sentiment rang true with the voters as the nearly 2/3 of the voters supported raising the minimum wage to $10 per hour. Additionally, the Rauner campaign made clear he did not support a progressive income tax or any income tax increase. Almost 2/3 of the voters supported a 3 percent surcharge on incomes over $1 million dollars.

IL HOUSE AND SENATE

We expect the House and Senate leadership will work with Rauner to pass one “signature” accomplishment next year. Given Rauner’s past involvement in charter schools we believe the most likely opportunity is an education reform proposal. However, a stalemate is anticipated between the legislative and executive bodies with little assistance provided by Democrats to help Rauner with the difficult budget situation Illinois faces. Budget issues have only been exacerbated by the expiration of the income tax increase enacted four years ago. The Democratic Senate President has stated publicly the legislature will not deal with the tax issue in veto session this month. That means immediately upon taking office Rauner will need to cut approximately $2 billion in government programs if he intends to balance the budget for the remainder of the year.
View from the States: Iowa

CONGRESSIONAL RACES

At the federal level, the biggest race was for the open seat left by Democrat Tom Harkin, first elected to the United States Senate in 1984. As the state’s ideological positioning stabilized just a hair to the left of center, Harkin won re-election four times, but announced his retirement in January 2013.

Republicans searched for a top-flight candidate to fill Harkin’s seat, while Democrats selected current Congressman Bruce Braley. Many analysts concluded early in the race that Democrats would hold the seat, but Braley’s campaign was beset by political and media gaffes, while Republicans eventually rallied around state Sen. Joni Ernst and her now famous “hog castration” political advertisement. Some feared that Ernst wouldn’t hold up to the rigors of a long campaign in the spotlight, with both candidate’s strengths and weaknesses creating one of the closest races in the country. In the days leading up to the election, various polls created a lot of apprehension on both sides of the party with one poll showing Ernst up 6 percentage points on Braley and another poll released the next day showing the two candidates dead even. On election day however, Ernst supporters turned out en masse to give her an easy win over Braley, making Ernst the first female elected to federal office from Iowa.

Iowa’s first of four House districts, located in NE Iowa, was exceedingly close. The seat for was vacated by Bruce Braley in his decision to run for the Senate seat. In recent years, this has been a district that has leaned to the left of center but that general partisanship is not visible in this race. On election night, this race was one of the last to be reported but in the end, businessman Rod Blum beat State Representative Pat Murphy by the narrowest of margins.

In Iowa’s second of four House districts, located in SE Iowa, this election is one that voters have seen before. Rep. Dave Loebsack took office in 2006, beating Mariannette Miller-Meeks, and his next two races in 2008 and 2010 also pitting him against Miller-Meeks. While Loebsack won handily in 2008 (57 percent to 39 percent), 2010 saw him beating Miller-Meeks by only 2 points. Loebsack had the lead in the polls leading up to the election but many analysts saw the potential for the upset. On election night, the upset was not complete as Loebsack cruised to an early victory.

KEY TAKEAWAYS

- Before Joni Ernst’s win, Iowa had never elected a woman to federal office. Ernst is the first for the state.
- With his win, Governor Terry Branstad is officially the longest serving governor in the history of the United States.
- For the last 30 years, Iowa has had one senator representing the state from each major political party. With Joni Ernst’s win, both senators from Iowa will be Republican.
Iowa’s third district is located primarily in SW Iowa and due to its inclusion of Des Moines, Iowa’s state capital, is easily the most urbanized. Staci Appel, a former school teacher, and David Young, former chief of staff for Sen. Chuck Grassley, competed for the seat vacated by the retiring Tom Latham. Polls had these two candidates neck and neck with Young gaining a small lead late in the race. On election night, the lead proved to be enough as he won with 53 percent.

Northwest Iowa is the fourth and final district. It is a Republican stronghold, represented by Steve King, one of the most conservative Republicans in Congress. The closest bet to oust him by the Democrats was in the last election when he ran against former Iowa First Lady Christie Vilsack, but the result wasn’t particularly close; King won by eight points. This time, the Democrats’ nominee was Iraq War vet Jim Mowrer. Polls showed King up by 11 and 12 points, respectively. On election night, King’s lead was too much for Mowrer to overcome with the race being called early in the night and handing the victory to King.

Out of the four congressional races for federal candidates, three went to Republicans with only one going to Democrats. This trend, coupled with Joni Ernst’s win, steadily pushes Iowa’s elected officials towards the conservative spectrum.

Gubernatorial Race

Republican Terry Branstad is currently the longest serving governor in Iowa’s history. He was Iowa’s 39th governor from 1983-1999 and became Iowa’s 42nd governor in 2010 after defeating incumbent Chet Culver. Branstad ran this year for an unprecedented 6th term (which would also give him the title of longest serving governor in U.S. History.) His Democratic opponent, Jack Hatch, a current State Senator, was decidedly new to gubernatorial races and faced an almost insurmountably high public opinion of Governor Branstad. In the end, election night simply reinforced what the polls had indicated all along with Branstad winning handily by a wide margin and retaining the governorship.

Iowa Senate

In Iowa’s 50 seat Senate, the Democrats currently hold the majority with 26 seats. This small majority is one reason that so much outside money flowed in to the state. There were 25 seats on the ballot but with five Republicans and six Democrats running unopposed, majority power rested on the shoulders of only a small handful of races.

Arguably one of the most contentious battles was that between incumbent Sen. Daryl Beal (D-Fort Dodge) and challenger Tim Kraayenbrink, an investment advisor. Records showed this race as one of the most expensive with Beal’s campaign spending over $532,000 and Kraayenbrink’s campaign reaching $312,000. One of the other expensive races is that between former mayor of Newton, Chaz Allen, and incumbent Kum N’ Go Executive Crystal Bruntz (R – Baxter). Records show that Allen has outraised Bruntz by more than 3-1 with Allen’s totals reaching $490,000 with Brutz’ coffers containing $132,000 respectively.

The question that many people were asking is whether Republican Governor Terry Branstad’s statewide success would trickle down in to the Iowa Senate, giving Republicans a bump. Ultimately, Democrats won 14 of the 25 seats up for grabs, retaining their majority.

The uneasy but usually productive bipartisanship of the Iowa Legislature will continue for at least another two years. Democrats will hold onto their slim majority in the Senate 26-24.
IOWA HOUSE

Unlike the Senate, the 100 seat House of Representatives is currently under Republican control with 53 Republicans and 47 Democrats.


Meanwhile, Democrats captured one Republican district — a Council Bluffs seat vacated by retiring Rep. Mark Brandenburg — but needed a net gain of four to retake the majority and will return to the Capitol in 2015 with a smaller minority than they had this year.

Republicans padded their majority in the House, ensuring no substantial changes to the partisan balance of power for the second election in a row. The continued status quo means Democratic and Republican legislative leaders and reelected Republican Gov. Terry Branstad will have to find common ground if any major new policies are to advance and all but ensures that more divisive proposals from both sides will remain off the table.
ANALYSIS OF THE 2014 ELECTIONS

View from the States: Louisiana

KEY TAKEAWAYS
- All three runoff elections favor the Republicans
- The former Governor/ex-con has again put Louisiana in the negative national spotlight
- Governor Jindal campaigning out of state, leaves a void of political leadership that has several folks looking to fill next year

OVERVIEW

Louisiana has an “open” primary system where all of the candidates for an office run together in one election on November 4th. If someone gets a 50 percent +1 vote, that individual wins outright; otherwise, the top two candidates, irrespective of party affiliation, meet in a runoff election on December 6th. This year, 14 constitutional amendments are on the ballot along with candidates for the U.S. Senate, Congress, judgeships, school boards, and other local offices.

CONGRESSIONAL RACES

While tens of millions of dollars were spent on the U.S. Senate race, a runoff between Democratic three-term Senator Mary Landrieu and Republican Congressman Bill Cassidy will occur. If control of the Senate had been at stake on December 6th, Louisiana would have geared up for a long month of television ads and political operatives from across the country focusing their efforts on this campaign. While there will still be significant outside influence on the race, particularly from Republican groups looking to unseat Landrieu, the spending will be more subdued since control of the Senate is no longer in doubt. Landrieu’s long family history in politics and her brother’s efforts as Mayor of New Orleans will be questioned if she loses, and Democrats will lose the last statewide office they control. Cassidy has so far capitalized on a message that this election is a referendum on Senate Majority Leader Harry Reid and President Obama. Voter turnout in December will ultimately decide this race and most pundits believe that favors Cassidy.

One member of Louisiana’s congressional delegation had a huge spotlight on him earlier this year. Congressman Steve Scalise was elected Majority Whip and has used his position to help the Louisiana GOP raise money over the past couple of months. His influence nationally has been noticed. Among the rest of the House delegation, Congressmen Cedric Richmond, Charles Boustany, John Fleming and Scalise easily won reelection. However, Louisiana’s 5th and 6th districts will be going to a runoff like the Senate race.

In the 5th district, as a result of Congressman Vance McAllister’s scandal earlier this year, several candidates jumped into the race including Democratic Monroe Mayor Jamie Mayo; farmer, veteran, and rural physician Republican Ralph Abraham; and Duck Dynasty family member Republican Zach Dasher. Mayo led the primary and Abraham
nudged out Dasher for second place and a spot in the runoff. This is a Republican leaning district and odds are Abraham will prevail.

In the 6th district, 11 candidates ran for this open seat and each has had national media attention due to former Governor Edwin Edwards return to the campaign trail at the age of 86 after spending several years in prison. A newcomer to politics, Paul Dietzel, grandson of legendary former LSU football coach Paul Dietzel, looked to capitalize on his family name. Two legislators from different parts of the district had political support to build upon but ultimately couldn’t capitalize. Garret Graves, a former Governor Jindal advisor and Congressional staffer, led the pack in fund raising, with more than $1 million dollars and made the runoff with Edwards. Like the 5th district the 6th leans Republican and Graves should win easily in the runoff.

LOOKING FORWARD

Although the Senate race was at the top of the ballot, the business community had been very engaged on judgeships and school board races. Common Core and tort reform were hot topics during the last legislative session and will likely be debated in 2015. Chambers of Commerce and other regional entities have worked hard this season to raise money for reform candidates at the local level, which has rarely been the case in recent memory. Associations and stakeholders have also spent a lot of money to campaign for or against the fourteen constitutional amendments on the ballot, which outlines the factor that 2015 will be important as the state elects its statewide officials and leadership is handed over to another administration.

With runoff elections expected in all the major races, many politicos are already looking forward to next year. In 2015 Louisiana may see its Governor announce his candidacy for President and will most certainly see a year long campaign for his successor. Senator David Vitter, PSC Member Scott Angelle, Lieutenant Governor Jay Dardenne, and State Representative John Bel Edwards have all begun to raise money and support for their campaigns for governor. Each has different personalities, management styles, fundraising bases, and organizational support - none has lost a race.
ANALYSIS OF THE 2014 ELECTIONS

View from the States: Mississippi

KEY TAKEAWAYS

- Status Quo election in 2015 - Republicans to remain in control
- Emphasis in 2015 in getting in position politically for 2016 newly elected officials
- Pro-education funding forces versus Republican leadership

CONGRESSIONAL RACES

In all of Mississippi’s congressional races, the incumbent was expected to win the race with ease. This turned out to be the case in the 1st District where incumbent Republican Alan Nunnelee, despite some health issues, did not have significant opposition for the seat. The 2nd District’s incumbent, Democrat Bennie Thompson, won re-election easily against a Republican opponent. Incumbent Republican Gregg Harper beat his Democratic opponent and Reform Party and Independent candidates in the 3rd District. Similarly, in the 4th District, incumbent Republican Steven Palazzo is beat his Democratic opponent and other minor party candidates as he has already won a heated primary battle.

In the U.S. Senate race, incumbent and veteran Republican U.S. Senator Thad Cochran won his race. Cochran faced Democratic challenger Travis Childers, a former Congressman whom Alan Nunnelee defeated, and a Reform Party candidate. Spending for both Cochran and Childers has been relatively modest in the General Election so it all came down to turnout. The race could have been different is the Mississippi Supreme Court had not ruled recently that Tea Party candidate Chris McDaniel’s four-month challenge of the GOP run-off vote was not filed on time. McDaniel and his supporters spent almost $10 million in the GOP primary to defeat Cochran.

Cochran’s victory coupled with the Republican Senate takeover puts him in charge of the Appropriations Committee again. Junior Senator Roger Wicker will hold a key post on the Commerce Committee and is running to chair the Republican Senate campaign arm.

LOOKING FORWARD TO THE 2015 MISSISSIPPI STATEWIDE AND LOCAL ELECTIONS

The Mississippi Legislature will convene on January 6, 2015 against the backdrop of a February 27 qualifying deadline for all candidates running next year. All statewide offices, as well as all local officials, will be up for election in 2015. The Party Primary election will occur on August 4, with the run-off on August 25 and the general election on November 3.

It is widely expected that all eight incumbent statewide officials will qualify to run and will be favored to win reelection. Governor Phil Bryant (R) will tout economic development and legislative successes which
ANALYSIS OF THE 2014 ELECTIONS

particularly resonate with Republican voters. Lt. Governor Tate Reeves (R), who leads the State Senate, and House Speaker Philip Gunn (R) will also tout legislative initiatives in the last four years relative to teacher pay raises and education reforms and support for business and industry. Among the eight statewide positions, only one, Attorney Jim Hood, is a Democrat. The other statewide officials are Secretary of State Delbert Hosemann (R), Insurance Commissioner Mike Chaney (R), Treasurer Lynn Fitch (R), Agriculture Commissioner Cindy Hyde Smith (R) and State Auditor Stacey Pickering (R). Mississippi has three Public Service Commissioners representing the northern, central and southern districts. These races are expected to garner a lot of attention. Brandon Presley (D), the Northern District Commissioner, is rumored to be considering running for Governor. Steve Renfroe, the current Public Service Commissioner from the southern district, is not running in 2015.

Currently, there are 122 members of the House; 65 are Republicans and 57 are Democrats. Many of these seats will be competitive in the general election, which will determine if the GOP actually gains seats or if the question of who controls the House becomes a reality.

In the Mississippi Senate, there are 31 Republican and 20 Democrats serving in the 52-member body. There is currently one vacancy in the Senate. Four candidates are vying to fill the one year remaining on the late Terry Brown’s term. Brown from Columbus, Mississippi was a veteran legislator and most recently served as Senate President Pro Tem. The four names on the November 4, 2014 special election ballot are Bill Canon, Bill Gavin, Bobby Patrick and Chuck Younger. If the top vote-getter doesn’t get a 50-percent-plus-one majority vote, the two candidates with the most votes will go to a runoff, which would be held Nov. 25. It is expected that Republicans will maintain control of the Senate after the November elections.

State General Fund tax revenues continue to improve. Major issues that could arise in the 2015 Legislative Session will be debate on education funding, “Common Core” education standards, Medicaid expansion, teachers’ pay and prison reform. Further, Governor Bryant and Lt. Governor Reeves have been on the speaking tour promoting tax cuts in the 2015 session.
ANALYSIS OF THE 2014 ELECTIONS

View from the States: Texas

KEY TAKEAWAYS

- Despite the vast amount of money, resources and personnel Democrats dedicated to Battleground Texas and Red to Blue efforts, the State is still a ways off from becoming competitive.

- Speaker Straus is expected to face another challenge from the right in the form of second-term State Representative Chris Turner, and he will need to move quickly to solidify his right flank between now and the start of session, but he is still a prohibitive favorite to retain the Speaker’s gavel.

- There is a very real possibility of a power-struggle developing behind the scenes between the governor and lieutenant governor, although we would not expect it to manifest during the upcoming session.

OVERVIEW

The first wholesale change of statewide elected offices in 14 years was a change in name only as Republicans continued their hegemony, sweeping all 15 statewide races on the ballot. Republicans will control all 24 statewide offices for the sixteenth year in a row. The average margin of victory for Republicans in these races was 20 points, with Attorney General Greg Abbott leading the way against State Senator Wendy Davis in the most expensive governor’s race in state history. State Senator Dan Patrick cruised to victory over State Senator Leticia Van de Putte in the Lieutenant Governor’s race, and State Representative Ken Paxton became the new Attorney General. One noteworthy outcome was the ascension of George P. Bush (son of former Florida Governor Jeb Bush) to the office of Land Commissioner. Bush will look to continue the family dynasty in Texas and is virtually certain to seek higher office in the next four years.

CONGRESSIONAL RACES

Congressional elections across the state saw one surprise outcome, as former CIA officer Will Hurd (R) defeated Representative Pete Gallego (D) in District 23. That district will have a new representative in Congress for the third time in as many cycles. Republicans now enjoy a 26-10 advantage in the state’s congressional delegation, which will have two new faces as former US Attorney John Ratcliffe ousted the oldest member of the House – Ralph Hall – in the March primary. Former dentist and Woodville Mayor Brian Babin inherits Representative Steve Stockman’s seat in District 36. Senator John Cornyn easily defeated his Democrat opponent and will continue serving as Whip in the new Republican majority. Texas will be well-situated in the new Congress, with Cornyn as Whip in the Senate, and as many as seven full committee chairman and three appropriations subcommittee chairs in the House.

TEXAS LEGISLATURE

Republicans added to their margins in the State Legislature as Tea Party activist Konni Burton defeated Libby Willis in Senate District 10, the seat formerly held by Wendy Davis. They also converted three House districts as Republican Wayne Faircloth defeated Democrat Susan Criss in the race to replace retiring Democrat Craig Eiland in House District 23, Republican Gibert Pena unseated Democrat Mary Ann Perez in House District 144, and Republican Rick Galindo defeated Democrat
incumbent Philip Cortez in House District 117.

The Republican majority in the Texas House now stands at 98-52, leaving them just two seats shy of a supermajority, while their majority in the Senate now stands at 20-11, just one vote shy of a supermajority. Both houses of the Legislature will move further to the right as a number of incumbents lost their primaries to more conservative challengers. Incoming Lieutenant Governor Dan Patrick will preside over his erstwhile colleagues in the Texas Senate and House members will more than likely retain Speaker Joe Straus as their leader.
View from the States: Virginia

OVERVIEW

The three statewide officeholders in Virginia – Governor, Lieutenant Governor, and Attorney General – are all Democrats elected during the 2013 election. This was the first time all three top state offices went to the Democrats since 1989. However, Republicans still control the legislature. In the House, there is a super majority held by the GOP (69-31), but in the Senate, they hold a narrow majority (21-19). Several senior Democrats are retiring or are vulnerable in 2015 and the entire House and Senate will be up for re-election.

Positioning for the 2017 statewide offices has already begun as Virginia only allows for a single four-year term by its Governor. The current Lieutenant Governor, Ralph Northam, and the Attorney General, Mark Herring, are expected to contend for the Democratic nomination for Governor. On the Republican side, things are less clear. Republican state Senators Mark Obenshain, Frank Wagner, and Jeff McWaters have expressed interest in running. Depending on the final outcome of the U.S. Senate race between Ed Gillespie and Senator Warner, it is very possible Gillespie will run for Governor now that he has a statewide organization.

CONGRESSIONAL RACES

On the federal side, Virginia went from having one of the strongest Congressional Delegations to one of the weakest. In one cycle, Virginia lost Representatives Frank Wolf (R) and Jim Moran (D), both key members for budget and spending, as well as House Majority Leader Eric Cantor (R). Virginia’s two senators are now in the minority party, although if Senator Warner maintains his election night lead, he is in a good position to be a deal maker with the Republican majority. Representative Goodlatte is the most powerful member of the delegation now, with the most seniority and Chairmanship of Judiciary. The composition of the House delegation is expected to remain the same for a while (8-3 Republican) because of redistricting in 2010.

KEY TAKEAWAYS

- Organization and financial commitment of Democratic and Republican presidential candidates is key now that Virginia is an established battleground state. Certainly Governor McAuliffe will assemble all of his political resources to support Secretary Clinton
- Potential retirements of long time legislators in leadership roles, including House Speaker Bill Howell, Senate Minority Leader Dick Saslaw and Chairman of Senate Finance Walter Stosch
- The impact of sequestration on Virginia’s economy and state budget
- Changes in party leadership and emerging statewide candidates going into 2017
GUBERNATORIAL

Governor Terry McAuliffe spent his first year in office focused on his promise to expand Medicaid in Virginia. That initiative was rejected twice and now with a solid majority of Republicans in the legislature, the Governor has conceded that Medicaid expansion is dead. His next three years will be spent addressing the budget shortfall, pension reform, job creation, and additional investments in K-12 school construction.
Lame Duck
The Lame Duck Session

The shadow of the 2014 election will loom large on the last actions of the 113th Congress. Events over the next month include several legislative items that will be colored in large measure by the tension between the current Democratic majority and the soon-to-be Republican majority. A slightly strengthened House Republican majority will likely have minimal effect on the lame duck session since House rules already give the majority a fairly iron-clad rule over the chamber.

Current Senate Majority Leader Harry Reid sets the Senate’s schedule and legislative agenda and may want to be as aggressive as possible during the lame duck session in order to move as many legislative items as possible that are important to his side of the aisle.

In Washington, DC, the list of interests which believe they have “must-do” items for the lame duck session to address stretches from the Capitol to K Street many times over. Political reality will leave most of those empty handed.

THE LAME DUCK SCHEDULE

Congress returns the week of November 10th. First on the agenda on November 12th is likely to be a Senate vote on the Child Development Block Grants authorization. The next days (13th and 14th) will be dominated by the new Member orientation, party-specific organizing meetings, and general positioning discussions for the 114th Congress held on both sides of the Capitol by political party. Both Houses of Congress will likely meet the following week (November 17th) for four days, before adjourning for the Thanksgiving holiday. Members will start returning on December 1st, just two weeks left on the legislative clock for the 113th Congress. Both bodies have indicated that December 11th is the target date for adjournment for the year. House Speaker Boehner has indicated repeatedly that the House will not be in session after the 11th.

LAME DUCK LEGISLATIVE AGENDA

House Republicans are unlikely to give much thought to approving legislative items brought to them by outgoing leader Reid. That said, it is worth noting a number of issues which will demand the chamber’s attention:

KEY TAKEAWAYS

- Omnibus, yes (for now)
- Terrorism Risk Insurance Act
- Extenders?
- Nominations
- NDAA
GOVERNMENT FUNDING – The start of the government’s fiscal year began on October 1st. A temporary funding measure – known as a Continuing Resolution or CR – is in place to keep the government funded until December 11th. There will certainly be action on a measure to continue that funding into the next calendar year, although what form it takes is subject to conjecture. Among the options are: a short-term CR extension into next year, so that the new Republican majority can exercise its will on funding matters; a long-term CR that lasts the entire fiscal year (until September 30, 2015); an omnibus appropriations measure that combines a House-Senate agreement on all 12 funding bills into one massive legislative package; or a series of “minibuses” that combine only a few funding bills that are palatable to both sides of the Capitol and both sides of the aisle, offset by a CR for those federal departments where contentious issues cannot find common ground.

NATIONAL DEFENSE AUTHORIZATION ACT (NDAA) – For many decades running, the Congress has not failed to pass an NDAA before adjourning for the year. The Fiscal Year 2015 NDAA is coming down to the wire. The Senate passed a version out of the Senate Armed Services Committee, but failed to bring the measure to the floor. The House passed a different NDAA version from the floor. There is the possibility that the Senate negotiators can agree on provisions and “conference” with their House counterparts, but that outcome is becoming increasingly more challenging with the passage of each day. While there is still widespread optimism that a FY15 NDAA can pass the lame duck session, look for this measure to be among the last items addressed by the 113th Congress, if at all.

ISIL/SYRIA – The Congressional authorization to extend military actions against ISIL expires on December 11th. Whether contained within the NDAA or as a stand-alone measure, look for some extension to pass the lame duck session.

ATTORNEY GENERAL NOMINEE – With the retirement of AG Eric Holder, the Obama administration has the confirmation of a new AG as a high priority for the lame duck session. While the administration is still “vetting names,” there is some urgency to move this nomination during the lame duck session while the President’s own party is still in power – a process simplified by the new simple majority vote threshold implemented by Leader Reid in 2014. Interestingly, the Senate Judiciary Committee, by a minority vote, can report a nominee out of committee, but still exercise a provision to hold-over the nominee for one calendar week before that nominee’s confirmation can be considered on the floor. That timing may serve to be crucial during this after-election session.

TAX EXTENDERS – Most Congress-watchers believe that some legislative vehicle to extend limited tax benefit provisions in a retroactive fashion will be adopted in the lame duck session, since the majority of those tax benefits technically expired December 31, 2013. (See Tax Policy section for a more detailed analysis)

NOMINATIONS, NOMINATIONS, NOMINATIONS – Reid will likely make the passage of Obama nominations for federal positions the highest priority for the lame duck session of the 113th Congress. Since exercising the “nuclear option” that allows nominees to move out of the Senate with a simple majority vote, Sen. Reid has made moving Obama nominations a top item for the Senate’s agenda. With the end of the Democratic majority looming large on the horizon, look for Reid to push nominations as the predominant issue that occupies the floor time of the Senate calendar. One note of caution: Some administration officials and other Democrats are worried about the possibility of retiring or defeated Democratic Senators staying home or at least away from Washington, DC, and potentially jeopardizing the simple majority Reid enjoys at this
INTERNET TAX FREEDOM ACT (IFTA) – The current law prohibiting new state taxes on access to the Internet expires on December 11th, along with the CR. The House has passed its version of extension but differs in approach from the Senate’s version. Both parties want a continuation of the moratorium on new taxes, but the debate on extension centers around the inclusion of provisions related to state collections of sales taxes on items purchased via the Internet.

TERRORISM RISK INSURANCE ACT (TRIA) – The current law, which provides a Federal safety net for insurance claims on acts of terrorism, expires on December 31st, 2014. A long-term compromise bill is possible, but a short term extension could push the issue into next year.
Practice Area Perspectives
Agriculture

Changes in Republican leadership at both the authorizing and appropriations subcommittees for agriculture will come in the 114th Congress. The possibility of budget reconciliation and – in the Senate – Child Nutrition reauthorization, will be the largest legislative agenda items before the Committees.

In the House, Frank Lucas (R-OK) is term-limited as chair. Rep. Mike Conaway (R-TX) is expected to ascend to the chairman’s position, while Ranking Member Collin Peterson (D-MN) is expected to continue in this capacity.

The increase in the total number of Republicans in the House in the 114th Congress will likely change the ratio of Republicans to Democrats on each committee. On the Agriculture Committee, which has had a ratio of 25 to 21 in the 113th Congress, this likely means committee ratios will adjust slightly with an increase of one or two additional republicans. Combined with members who retired (McIntyre (D-NC) or were defeated (Enyart (D-IL), Gallego (D-TX), McAllister (R-LA), Costa (D-CA)) there will likely be new members on the House Committee in the 114th Congress.

The change in control of the Senate, combined with the Senate Republican Conference’s six-year chairmanship term limit, triggers a domino-effect turnover of Senate committee chairmen. Senator Pat Roberts (R-KS) is expected to assume the chairmanship of the Senate Agriculture Committee and Senator Debbie Stabenow (D-MI) should move from chair to Ranking Member. Former Ranking Member Thad Cochran (R-MS), although in line to chair the Agriculture Committee, is expected to move to the chair of the Appropriations Committee.

Republicans currently have a three seat margin, which may grow to four after the Louisiana runoff. Thus, there is expected to be two more Republicans than Democrats on the Agriculture Committee based on the current Committee ratio of 11-9. Combined with the retirement of Senators Saxby Chambliss (R-GA) and Mike Johanns (R-NE), there will likely be four new Republicans added to the committee roster. Similarly, the retirements of Senators Tom Harkin (D-IA) and John Walsh (D-MT) will likely mean that there are no further reductions in the Democratic membership of the committee.

A number of retirements at the House Appropriations Committee may offer current Agriculture Appropriations subcommittee chairman Robert Aderholt (R-AL) the opportunity to take a new subcommittee.
ANALYSIS OF THE 2014 ELECTIONS

However, the leadership at the full committee is not expected to change, with Chairman Hal Rogers, (R-KY) and Ranking Member Nita Lowey (D-NY) remaining in their positions. A member’s seniority on the full Appropriations Committee determines the selection priority for subcommittee chairmen. Therefore, it is difficult to predict who may be the next Agriculture Subcommittee chair, if Aderholt decides to move. Among the next in full Committee seniority are Kay Granger (R-TX), Mike Simpson (R-ID) and John Culberson (R-TX). However, if Aderholt moves, reported among the possibilities for his replacement are Mario Diaz-Balart (R-FL), Tom Graves (R-GA), and Tom Cole (R-OK).

In the Senate Appropriations Committee, Senator Thad Cochran (R-MS) is expected to use the remaining four years he has under Senate Republican Conference term limits to claim the chair. Senator Barbara Mikulski (D-MD) becomes the Ranking Member on the committee. Senator Roy Blunt (R-MO) is expected to ascend to be Subcommittee Chairman. Senator Mark Pryor’s (D-AR) defeat opens the Ranking Democrat slot on the Agriculture Subcommittee. Because of other retirements and defeats, it is unclear which member may take this position in the 114th Congress. Senator Tester (D-MT) is likely to take over Homeland or Agriculture Subcommittee slot depending on the outcome of Senator Landrieu’s runoff. If Tester ends up with Homeland then Senator Jeff Merkley (D-OR) is a good candidate for the Agriculture subcommittee.

Two major reauthorizations face the new Congress: child nutrition programs – including the School Lunch and Special Supplemental Nutrition Program for Women, Infants and Children (WIC) – will be up in the Senate Agriculture Committee and House Committee on Education and the Workforce. Major issues likely to arise include revisiting the nutrition standards for school meals that have drawn opposition from local school lunch administrators and students. Additionally, while technically not a part of this reauthorization, Members of Congress who were dissatisfied with the level of reduction to the Supplemental Nutrition Assistance Program (SNAP – formerly known as Food Stamps) in the last farm bill reauthorization may view this as an opportunity to revisit reductions in that program.

Banking and financial interests may see an opportunity to roll back provisions of the Dodd-Frank financial regulatory reform legislation which was enacted following the financial crisis of 2007/2008 when Congress takes up reauthorization of the Commodity Futures Trading Commission which expired in 2013. Conaway has been very active as subcommittee chairman of jurisdiction on these matters in the 113th Congress and has taken a personal interest in seeking modifications to Dodd-Frank and reauthorization of the Commodity Exchange Act generally.

Like all Committees with mandatory spending baselines, budget reconciliation under the new Republican-controlled Congress will likely force difficult discussions on farm program spending – especially given the fact that commodity-related program “savings” projected for the life of the new farm bill will likely disappear under the downturn in commodity prices in 2014. Given the new chairmen– Conaway who supported the 2014 farm bill and Roberts who voted against – reconciliation approaches are likely to be different. Although both chairmen have expressed concern over the level of spending and lack of effective reform in SNAP, their views on commodity and crop insurance expenditures will likely be more nuanced.

Other issues of likely interest to Agriculture leadership in the 114th Congress include action on the National Pollutant Discharge Elimination System (NPDES) permit program, action to keep the Environmental Protection Agency and the Army Corps of Engineers from finalizing and enforcing a proposed rule that would redefine “waters of the United States” under the Clean Water Act, providing the President fast track Trade Promotion Authority necessary to usher two pending trade deals through the legislative process: the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, legislation to address farm worker shortages, and any necessary action to avoid trade retaliation related to Country of Origin Labeling requirements.
Lastly, looking to state ballot initiatives of interest to agriculture, voters in Oregon and Colorado rejected initiatives to require food manufacturers and retailers to label “genetically engineered” foods, and the Hawaii election resulted in approval of a moratorium on cultivation of genetically engineered crops until an environmental and public health assessment is completed. In Berkley, California, voters approved the nation’s first penny-per-ounce tax on sodas and other sugar sweetened beverages such as sports drinks, sweet teas and beverage syrups. Given the federal interest in related issues in the past it is unclear if these state measures, while worth noting, will rise to the level of federal concern in the short term.
Budget & Appropriations

KEY TAKEAWAYS

- FY2015 Omnibus Enactment in Lame Duck Likely
- Bigger Appropriations Policy Fights Reserved for FY2016 Process
- Sequestration in Early 2016
- Relief for DOD Discretionary Caps

OVERVIEW

The US government is currently operating under a Continuing Resolution which expires on December 11, 2014. The Appropriations Committees have set the stage for work to begin in earnest on the completion of FY 2015 Appropriations bills by defining the differences between House and Senate versions of the 12 bills. The House passed seven bills, and reported 11 from Committee, while taking no formal action on the Labor, Health and Human Services bill. The Senate Appropriations Committee reported eight of the 12 bills from Committee, and released the remaining four as subcommittee drafts in early August. The Senate has yet to consider a FY 2015 Appropriations bill on the floor.

FULL COMMITTEE LEADERSHIP

No changes are anticipated in the leadership of the House Appropriations Committee with Rep. Hal Rogers (R-KY) remaining as chair and Rep. Nita Lowey (D-NY) as ranking member. With Senate control shifting to Republicans, Senator Thad Cochran (R-MS) will assume the chairmanship. Senator Mikulski (D-MD) will become ranking member. As Sen. Patty Murray (D-WA) is widely expected to assume the ranking member slot of the Health, Education, Labor and Pensions Committee, Sens. Stabenow (D-MI), Sanders (I-VT), and Whitehouse (D-RI) are potential ranking members at the Budget Committee. Sen. Jeff Sessions (R-AL) will take over the gavel on the Republican side. In the House, Rep. Paul Ryan (R-WI) has indicated that he will run for chair of the Ways and Means Committee, thus freeing up the chair. Likely candidates for the post include Reps. Scott Garrett (R-NJ) and Tom Price (R-GA). Rep. Chris Van Hollen (D-MD) will remain as ranking member.

APPROPRIATIONS SUBCOMMITTEE LEADERSHIP

With the retirements of three senior members of the Committee in Representatives Wolf, Kingston and Latham, and potential application of subcommittee term limits, a number of changes will occur. The only safe bets are Chairman Frelinghuysen (R-NJ) and Simpson (R-ID) staying in place, with Interior Chairman Calvert (R-CA) also being likely to stay at Interior. Beyond that, we are looking a three new cardinals in Reps. Diaz-Balart (R-FL), Dent (R-PA) and Graves (R-GA). Candidates for the new chair of the Commerce, Justice Science subcommittee include Reps. Aderholt (R-AL) and Culberson (R-TX). The likely candi-
dates for the new chair of the Labor, Health and Human Services subcommittee include Reps. Cole (R-OK), Dent (R-PA) and Graves. If Rep. Granger (R-TX) does not receive a waiver allowing her to remain as Chair of the State, Foreign Operations subcommittee, she is may look to the Transportation, HUD subcommittee. Reps. Crenshaw (D-FL), Dent or Diaz-Balart are the most likely candidates for State, Foreign Operations in that instance. While many believe Rep Aderholt will elect to remain chair of the Agriculture subcommittee, likely replacements include Reps Diaz-Balart, Graves or Cole. Bottom line, there is strong potential for substantial cardinal movement.

On the Democratic side Rep. McCollum (D-MN) is likely to assume ranking member of the Interior subcommittee, and Rep Quigley (D-IL) will assume the ranking member slot at Treasury/HUD.

In the Senate, the retirements of Senators Harkin (D-IA) and Johnson (D-SD), the defeat of Senators Pryor (D-AR) and Begich (D-AK), and Senator Landrieu (D-LA) facing a tough runoff on December will bring significant change. This creates the potential for at least four new ranking members. Sen. Murray (D-WA) is next in line for the Labor, Health and Human Services subcommittee slot vacated by departing Sen Harkin and is widely expected to assume the ranking member slot on the Health, Education, Labor and Pensions Committee, following in Harkin’s footsteps. However, she will have the choice of remaining as the ranking member of the Transportation/HUD subcommittee. Other adjustments are less clear as new Senators will be required to fill out the roster, but Senator Tester (D-MT) is likely to take over the Homeland or Agriculture Committee slot depending on the Landrieu outcome. If Tester ends up with Homeland, then Senator Merkley (D-OR) is a good candidate for Agriculture with Senator Udall (D-NM) staying at Financial Services. At least four lawmakers are said to want to stay on as top Democrat in their current subcommittee assignments: Sen. Mikulski at Commerce-Justice-Science; Sen. Leahy at State-Foreign Operations; Sen. Feinstein of California at Energy-Water; and Sen. Durbin at Defense.

With this magnitude of likely turnover there also the potential for a major shifts in the subcommittee leadership that are not easily anticipated. With the Democrats losing control of the Senate, there is also the possibility that Sen. Reid (D-NV), who is currently “on leave” from the Committee could reclaim his slot, assuming the ranking member slot of the Energy and Water Development subcommittee, as it is critical to home state interests. On the Republican side, few changes in subcommittee leadership posts are anticipated. Sen. Hoeven (R-ND) is anticipated to assume the top slot on the Financial Services subcommittee. Barring unexpected developments the panel will not see much change as Senator Moran (R-KS) will remain at Labor/HHS and Senator Blunt (R-MO) will take over the helm at Agriculture. This should leave Sen. Alexander at Energy and Water, Sen. Collins at Transportation/HUD, Sen. Murkowski at Interior, and Sen. Graham at State, Foreign Operations.
Defense

Defense and national security policy will continue to be at the forefront of the legislative and executive branch agendas in the coming year. The departure of a large portion of American forces from Afghanistan by December 31 is progressing toward a 2016 total exit. The remaining approximately 9,800 American troops in Afghanistan will focus on counterterrorism operations and supporting the Afghan National and Local Police forces as well as the Afghan Armed Forces. Events in Iraq, Syria, western Africa, Ukraine and uncertainty elsewhere will continue to percolate and keep the Department of Defense (DoD) engaged around the globe.

Key questions for the Congress in 2015 include: how much Overseas Contingency Operations (OCO) funding will be required to cover the emerging situations in the Middle East, Africa and elsewhere? Will sufficient funds be available over the next several years to reset equipment returning from Afghanistan? Can an alternative to sequestration be found that will lessen the impact on defense spending? If not, what effect will sequestration have on DoD acquisition and research and development programs now and in the future? Will sequestration cause additional service drawdowns and what levels of risk will that pose to the country’s defense posture?

There are also many competing issues demanding Members’ attention in the lame duck session. High on the to-do list is passing both the annual National Defense Authorization Act, which sets policy for the Department of Defense and the Defense Appropriations Act, which funds DoD. Congress will likely want to bundle the defense appropriations bill into a larger omnibus package, along with the other 11 appropriations bills. Failure to pass such a comprehensive omnibus spending bill could force Congress to pass a long-term Continuing Resolution. Discussions on the appropriate level of OCO funding, especially for emerging operations in Iraq/Syria and the Ebola response in Africa and at home, will be a top priority for Congress and the administration. Congress’ ability to pass any of these measures depends in large part on the outcome of the election results.

Shifting focus to the House and Senate Armed Services Committees (HASC/SASC) and the House and Senate Appropriations Committee Subcommittees on Defense (HAC-D/SAC-D) we expect to see modest turnover, driven more by Member retirements than by what the election produces. With stability in the House assured in the election, the most significant departure is of current Chairman Buck McKeon (R-
CA). The Chairman of the HASC in the 114th Congress is widely expected to be Rep. Mac Thornberry (R-TX), though Rep. Randy Forbes (R-VA) has announced his intention to run for the gavel of the committee. Depending on which member is elected chairman of the HASC, it will impact which members are chairs of the Subcommittee on Intelligence, Emerging Threats and Capabilities and the Subcommittee on Seapower and Projection Forces. Organizing meetings for the 114th Congress will begin in earnest the week of November 10 and continue into mid-January, when formal committee membership is announced.

On the House Appropriations Subcommittee on Defense (HAC-D), the Chairman and Ranking Member are anticipated to remain Chairman Rodney Frelinghuysen (R-NJ) and Ranking Member Peter Visclosky (D-IN). Additional seats will open when Rep. Jack Kingston (R-GA), Rep. James Moran (D-VA) and Rep. Bill Owens (D-NY) depart Congress. There could also be changes to the makeup of the House Appropriations Military Construction and Veterans Affairs Subcommittee (HAC-M) should Rep. John Culberson (R-TX), the current chair, decide to pursue the Chairmanship of the Commerce, Justice, and Science Appropriations Subcommittee.

In the Senate, the Armed Services Committee (SASC) will see turnover due to the retirement of Chairman Carl Levin (D-MI) and anticipated departure of Ranking Member Jim Inhofe (R-OK), now that the Republicans have reclaimed the Senate majority. It is widely expected that Sen. John McCain (R-AZ) will rise to the top spot as the Chairman of the SASC. Sen. Jim Inhofe (R-OK) is expected to pursue the Chairmanship of the Environment and Public Works Committee. On the Democratic side, Sen. Jack Reed (D-RI) stands to become the ranking member unless he decides to leave the committee to pursue the ranking member position on the Senate Banking, Housing and Urban Affairs Committee. Should Reed leave for the top spot on the Senate Banking Committee, Sen Bill Nelson (D-FL) or Sen. Claire McCaskill (D-MO) could rise to be the Ranking Member of the SASC.

The Senate Defense Appropriations Subcommittee (SAC-D) will have little turnover. Chairman Dick Durbin (D-IL) and Ranking Member Thad Cochran (R-MS) are expected to return, although they will change positions when Cochran assumes the chairmanship as the Republicans take over the Senate. The only changes anticipated are the departures of Sen. Tom Harkin (D-IA), Sen. Tim Johnson (D-SD), and Sen. Mark Pryor (D-AR), with Sen. Mary Landrieu (D-LA) still in doubt in an election run-off contest. The Republican win in the Senate will afford them an opportunity to claim additional seats on the SAC-D. The Senate Military Construction and Veterans Affairs Appropriations Subcommittee (SAC-M) will need a new ranking member with the retirement of Sen. Johnson.

Further changes are likely in the administration’s defense leadership team. The Joint Chiefs of Staff may see a new Chairman, with General Martin Dempsey’s term ending in 2015. Of course, given the uncertainty around the world, the President could ask Dempsey to stay on for an additional term, not entirely unprecedented. Additionally, General Ray Odierno’s term as the 38th Chief of Staff of the United States Army and Admiral Jonathan Greenert, the 30th Chief of Naval Operations, terms end in 2015 as well.
Education

The backlog of expired education policy bills shrunk during the 113th Congress, as the House and Senate passed a long-overdue reauthorization of the Workforce Investment Act and reached bicameral and bipartisan agreements on bills to reauthorize the Child Care Development Block Grant and the Education Sciences Reform Act. Congress also approved legislation to avert an interest rate hike on certain student loans and tie rates on newly-issued federal student loans to the 10-year Treasury.

The chambers failed, however, to find common ground on a reauthorization of the Elementary and Secondary Education Act, and were similarly divided on some of the more contentious higher education issues (student loan refinancing, student loan debt, the discharging of private loans, etc.). Both authorizing committees held hearings on the Higher Education Act, but neither body produced a realistic proposal or made tangible progress toward a needed rewrite of the law.

Moving forward, HEA reauthorization seems to be a steep climb, even in a GOP-controlled Congress. The only comprehensive draft legislation put forward thus far was a partisan discussion draft authored by outgoing Senate HELP Committee Chairman Tom Harkin (D-IA). Other principals have unveiled broad and somewhat underdeveloped blueprints for reauthorization, but have yet turn those goals into actual legislative language. One of the few bipartisan efforts in this space is a proposal from incoming HELP chairman Lamar Alexander (R-TN) and Sen. Michael Bennet (D-CO) to simplify the FAFSA and restructure the federal student aid system. A second bipartisan effort, to simplify and reform federal student loan repayment programs, comes from Sens. Richard Burr (R-NC) and Angus King (I-ME). Other areas of interest in this space include deregulation (on the right), student loan debt (on the left), and the state of the Pell Grant program (on both sides of the aisle).

ESEA reauthorization, on the other hand, could be ripe for a deal. Republicans laid out their position last year with House passage of an ESEA bill authored by Education and the Workforce Chairman John Kline (R-MN) and Senate introduction of Alexander’s “Every Child Ready for College or Career Act.” While the bills failed to attract any Democratic support, they are similar in size, scope, and objective (decrease the amount of federal involvement in K-12 education), and thus relatively easy to reconcile. Moreover, on this issue, the White House might be more willing to get to yes than Harkin was. Alexander and...
incoming ranking member Patty Murray (D-WA) are both serious legislators and proven dealmakers, so it would not be a complete shock if they were able to get an ESEA bill over the finish line sometime in the coming session and force the White House to the negotiating table.

Other education-related issues facing the 114th Congress include myriad reauthorizations (IDEA, Perkins, Head Start, America COMPETES, etc.), the proper amount of K-12 testing, Common Core, sequestration and general research funding, proprietary education (the Gainful Employment regulation), and oversight of Department of Education actions and the administration’s proposed college ratings system.
Energy and Environment

The midterms have elevated the discussion on energy and the environment to one of the key issues debated in the election. Battle lines drawn between energy and environmental groups resulted in 2014 being the biggest cycle for energy/environment-related advertising, ever. The Cook Report attributes this growth in ads to several factors, including the number of competitive races in energy states which always draws energy industry spending. But this cycle there were new dramatic increases in spending by environmental groups, and billionaire Tom Steyer’s multimillion-dollar spending through his super PAC.

According to The Economist, 102,400 ads had been run by Democrats and Republicans about energy and the environment as of October 17, 2014, with Democrats leading the way by almost 20,000 spots. According to a study by Brookings’ Center for Effective Public Management that tracks the major issues raised in this year’s races, Democrats emphasized Obamacare, climate change, the minimum wage, immigration and taxes. Republicans emphasized Obamacare, taxes, the debt, regulations, and immigration. But after the election it is hard to see how the new spending by green groups hit much paydirt. So what does this mean for life after the midterm elections?

A Republican Senate means the GOP will control the agenda of Senate Committees as they take over the chairmanships.

Sen. Mary Landrieu (D-LA) faces a runoff, and should she lose Sen. Maria Cantwell (D-WA) will replace her as Ranking Member. Sen. Lisa Murkowski will assume the Chair of the Energy and Natural Resources Committee.

Looking at the Environment and Public Works Committee, Sen. Boxer will remain as the top Democrat and Sen. Inhofe will chair the committee in a Republican Senate.

With Republican control over both houses of Congress, the decision will be made on how to undermine President Obama’s decision to move forward and regulate greenhouse gases by executive authority—that is, letting the EPA regulations move forward. It remains to be seen whether a Republican Congress incites the President to increase his attempts to impose his energy and environmental agenda through regulation.
Republican control of the Senate, in particular, will likely lead to more oversight hearings on the EPA, its funding, and the nature of climate regulations. There could be increased efforts to defund the EPA. House and Senate Republicans could make another attempt to strip the EPA of its authority to regulate greenhouse gases. In 2011, for example, the Republican-controlled house approved an amendment to eliminate funding for the EPA, which they attached to the Fiscal Year 2011 Continuing Resolution. Republicans have also succeeded at making deep cuts to the EPA’s overall budget in the last few years.

Despite all of this opposition, however, presidential action has begun that will likely still set the agenda for the next two years. He has made the U.S. active participation in the UN Climate Talks in Paris in 2015 a priority, so odds are his regulatory activism will continue.

If, however, the new Congress succeeds in undermining the president’s EPA authority, that negotiating strength would be reduced. The president could be faced with an unfunded or poorly funded EPA, undermining the faith of other climate diplomats that the U.S. can live up to its greenhouse gas reduction pledges and other commitments in the negotiations.

We have focused primarily on the EPA rules on CO2 from new and existing power plants as a critical element of energy policy in the new Congress. There are actually several other critical environmental regulatory issues that will likely receive greater scrutiny in a republican Congress, including federal limitations on methane emissions from drilling, and increased regulation of waters of the U.S.

America’s new role as a global leader in oil and natural gas production is also impacted by the new Congress. One of their first priorities will be to legislate on the Keystone XL Pipeline. Of broader significance, is action that could be taken to lift the ban on export of American natural gas and crude oil. Republican efforts (that have become somewhat bipartisan) to loosen or eliminate those limitations will have greater legs in a Republican Congress.

With Sen. Shaheen returning to the Senate, the likelihood of passage of the bipartisan Energy Efficiency bill cosponsored by Republican Senator Portman is dramatically increased.

There has been an increased focus by the administration on energy transportation policy as oil shipments by pipeline have not kept up with production and producers have turned to rail, truck and barge. This has been a bipartisan issue in Congress so this is not likely to change this focus.

Of course, tax policy is energy policy so action taken on the business tax extenders will be likely accelerated by the takeover of the Republicans in the Senate to clear the decks for 2015. With the win by Congressman Cory Gardner (R-CO), who championed the wind energy PTC as part of his platform, it is more likely that this provision will stay in the extender package despite some opposition by other Republicans, particularly in the House. Tax reform is slightly more likely to be a priority of the new Republican Congress, although it may be difficult to do that much heavy lifting before the Presidential election shuts down such consideration. Only corporate tax reform is under consideration, it would have a significant impact on the energy sector. Issues raised by tax reform of concern, relate to oil and gas deductions, renewable tax credits, LIFO treatment as well as changes in taxation of business structures that are pass through entities for tax purposes, like LLC’s and MLP’s.
Health

The primary focus areas in health care will not greatly change. U.S. Health and Human Services Secretary Sylvia Burwell and Centers for Medicare and Medicaid Services Administrator Marilyn Tavenner will continue overseeing the implementation of the Affordable Care Act (ACA). The next open enrollment period for individuals purchasing insurance through the health care exchanges begins November 15th and runs through January 15, 2015. Many will be watching with interest to see if this year’s rollout goes more smoothly than last year.

A Republican-controlled Congress will also continue closely monitoring implementation of the ACA. The House and Senate will likely cast votes to repeal the ACA at the start of the 114th Congress. However, this will be a largely symbolic vote as the bill certainly would not survive the President’s veto pen. As such, it could be that the two chambers move to consider other bills that would repeal smaller sections of the ACA, such as the device tax and possibly the employer and individual mandates.

There is also a chance that some legislation could be considered to fix parts of the ACA. The House has already passed legislation to amend the 30 hour work week requirement. It is expected that if the chambers agree to move forward on small legislative fixes, this policy change would be among the first to be considered.

 Committees with jurisdiction over various parts of the ACA will continue to hold regular oversight hearings to examine the impact of the law. Members could focus on: costs associated with implementing the law; the impact of the law on employers and individuals, including rising insurance costs; premium subsidy delivery and efforts to identify and recoup any overpayments; impact on the Medicare and Medicaid programs and patients access to care; and a close look at the rules and regulations governing the law as they are released.

Early into the 114th Congress, Members will have to address a looming 24 percent cut in Medicare payments to physicians, known as the Sustainable Growth Rate (SGR) or Medicare “doc fix.” Over the past several years, Congress has postponed this automatic cut on an annual basis. However, Members have long supported a permanent solution to this problem and even got so far as to introduce a bipartisan, bicameral legislative solution to the SGR this year. The bill carries a price tag of approximately $138 billion, every cent of which would need to be paid for by cuts to other parts of the Medicare program. There is still some hope that this bill could move in the lame duck session. However, with the change
in Senate party control, it seems more likely that Republicans will wait to act on a permanent fix until they control both chambers. Doing so could make it slightly easier to reach an agreement on the final bill, including pay-fors.

On a more bipartisan topic, House Energy and Commerce Committee Chairman Fred Upton (R-MI) and Rep. Diana DeGette (D-CO) held numerous hearings and roundtable discussions this year in support of an initiative they call “21st Century Cures.” They intend to introduce legislation early in 2015 that is designed to improve the pace of research and medical breakthroughs.

Meanwhile, discretionary appropriations for health programs will have little room to grow under the current budget caps. In FY15, most believe Congress will approve a year-long continuing resolution for HHS rather than negotiate an appropriations bill. In either case, Congress will likely approve additional funding to address two high-profile issues: the Ebola crisis and the rise in unaccompanied alien children crossing the U.S. border from Central America.

In FY16, one agency that may fare better than others within HHS is the National Institutes of Health, which enjoys significant bipartisan support. By the contrast, the Prevention and Public Health Fund, a mandatory program created in the ACA, will be a prime target for elimination in a Republican-led Congress.

There will be some key leadership changes in the committees with jurisdiction over the nation’s health care programs. With a change in party leadership in the Senate, Sen. Orrin Hatch (R-UT) will take the gavel at the Senate Finance Committee. Current Chairman Ron Wyden (D-OR) will become the ranking member.

Current Ways and Means Chairman, Rep. Dave Camp (R-MI), is retiring this year, leaving the Ways and Means gavel up for grabs. Most expect Rep. Paul Ryan (R-WI) to win the gavel, but he will have to hold off a challenge from Rep. Kevin Brady (R-TX) to do so. Rep. Sander Levin (D-MI) should continue in his role as the committee’s ranking Democrat.

If Rep. Brady is unsuccessful in his bid for the full committee chairmanship, he will likely remain as the chairman of the Ways and Means Subcommittee on Health. Rep. Jim McDermott (D-WA), a doctor by training, will continue to hold the subcommittee’s ranking Democrat spot.

Ryan has outlined a broad vision for reworking the Medicare program through his annual budget documents. Should he win the Ways and Means gavel, he will finally have jurisdiction over the program. It is anticipated that the committee would begin to seriously examine potential reforms to the Medicare system under his leadership. (Ryan has also released plans for reforming other entitlement programs, such as Temporary Assistance to Needy Families, which are also overseen by the Ways and Means Committee. It is reasonable to expect an extensive review of all entitlement programs under the committee’s jurisdiction if Ryan becomes chairman.)

Upton held onto his seat and will remain chairman of the Energy and Commerce Committee. Rep. Henry Waxman (D-CA), the committee’s ranking Democrat, is retiring at the end of the 113th Congress. Rep. Frank Pallone (D-NJ) appears to be the frontrunner to succeed Waxman as the committee’s top Democrat. However, Rep. Anna Eshoo (D-CA) is also running hard for the post.

There are no changes expected in Republican leadership at the Energy and Commerce Subcommittee on Health. If Pallone is successful in his bid to become the committee’s top Democrat, then the ranking Member spot on the Health Subcommittee would become available.
Rep. Jack Kingston’s (R-GA) unsuccessful bid for the Senate and Sen. Tom Harkin’s (D-IA) retirement will mean big changes atop the House and Senate Labor, HHS, and Education Appropriations Subcommittees next Congress. On the House side, where Republicans will retain the majority, some possible candidates for chairman include Charlie Dent of Pennsylvania and Tom Cole of Oklahoma, although other names may also emerge.

Sen. Patty Murray (D-WA), currently the chairwoman of the Senate Transportation and Housing and Urban Development Appropriations Subcommittee, has the seniority to replace Harkin as the top Democrat on Senate Labor-HHS Appropriations Subcommittee if she chooses – a decision she is still mulling. Murray is already expected to succeed Harkin as the top Democrat on the Senate Health, Education, Labor, and Pensions Committee, where Sen. Lamar Alexander (R-TN) will take the gavel.
Homeland Security

It is “déjà vu all over again” for homeland security. With only minor tweaks, the 2014 mid-term elections will not dramatically change the focus and direction of homeland security priorities for the 114th Congress. As has been the case since the creation of the Department of Homeland Security (DHS), legislative and executive branch action will continue to be focused on the most pressing threat. And, while crises may change (unaccompanied children), our enemies are still focused on high value targets. Aviation, cargo, and cyber security will remain top areas of interest. We can also add Ebola and ISIS to the mix—worth watching and monitoring for both escalation and response. We have already seen multiple proposals limiting air travel in an effort to get ahead of Ebola; and the Secretary of Homeland Security just announced new requirements for the Visa Waiver Program based on concerns associated with foreign fighters with US and European passports traveling to Syria and Iraq.

Sitting in this seat two years ago, we predicted the major sticking points to passing meaningful legislation for cyber security (defining the role of government and the responsibilities of the private sector) would be difficult to overcome in a divided government. These sticking points are as true today as they were in 2012, with one caveat: the new Republican majority in the Senate may be more aligned with the House, paving the way for possible compromise between the two chambers. Whether a House-Senate compromised bill would be acceptable to the administration remains to be seen. Absent a major cyber security breach that affects the safety and welfare of a majority of Americans, the 114th Congress will be challenged to enact major cyber security legislation that is ultimately signed by the President.

As for the other major “want to do” piece of legislation—comprehensive immigration reform (CIR) —there are no major changes resulting from the 2014 elections that would indicate a turn of fortune for proponents of CIR. With conservatives picking up more seats in the House and the Senate—and with a nothing-to-lose President in the White House—there is even less room for negotiation and compromise. Again, absent a major event that affects the safety or welfare of a majority of Americans, it is unlikely immigration reform will see the light of day.

The inability of Congress to pass CIR has significant consequences on the annual appropriations cycle. The fiscal year 2015 DHS appropriations bill didn’t make it all the way through the House of Representa-
tives out of concern that immigration reform would be added, a concern fueled by managing the care and processing of unaccompanied children. The days when DHS receives its budget on time and plumped up are gone. As is the case with all federal agencies, DHS must compete for scarce resources. Even a crisis such as the influx of unaccompanied children crossing the border did not garner support for additional and expedited spending. The appropriations request submitted to Congress to address this issue barely passed the House and never saw the light of day in the Senate. While the extent of the crisis has somewhat abated, there are lingering funding issues that have yet to be resolved. And, like all other federal agencies, the final fiscal year 2015 appropriations bill for DHS must still be addressed.

Regardless of who controls the White House, the Senate or the House of Representatives, one thing remains constant: the multiple and duplicative layers of Congressional oversight of homeland security in general and the Department of Homeland Security in particular will challenge even the best of Committees to advance a comprehensive reauthorization of DHS.

There are expected changes in homeland security leadership positions, particularly in the Senate. Senator Ron Johnson (R-WI) will take the gavel at the Senate Homeland Security and Governmental Affairs Committee. In his current position as ranking Republican on the Subcommittee on Financial and Contracting Oversight, he has been focused on issues such as acquisition reform, cutting the size of government and spending constraints. He has been a harsh critic of the Obama administration, particularly as it relates to ignoring homeland threats. His priorities are yet to be determined but he has significant influence not only over DHS but all government agencies.

The second major leadership change is on the Senate Appropriations Subcommittee on Homeland Security with the gavel being turned over to Dan Coats (R-IN). The ranking minority spot is up in the air as Senator Mary Landrieu faces a runoff election in mid-December.

Over in the House, the Chairmen of the House Homeland Security Committee and the House Appropriations Subcommittee on Homeland Security are not expected to change—Michael McCaul (R-TX) and John Carter (R-TX), respectively. This continuity bodes well for the House’s ability to effectively oversee homeland security programs.
Tax Policy

The significance of a Republican-controlled Congress will be that tax reform will become a priority talking point. To ensure a clean start to GOP control in 2015, there is increased likelihood for early action on tax extenders in the lame duck session that is scheduled to begin on November 12.

LAME DUCK AND EXTENDERS

Legislation to extend expired and expiring provisions in the Internal Revenue Code through the end of 2015 was approved in the Senate Finance Committee in April. The Senate’s “Expire Act” takes all 50 or so current expiring tax provisions and extends them for two years, through 2016. The Finance Committee’s $84 billion package is not offset. The House of Representatives opted to pass a number of bills that would make certain provisions permanent, such as the research and development tax credit, small business expensing, bonus depreciation, the “Doc Fix,” and the Medicare Sustainable Growth Rate (SGR). However, the cost of making just the first three items permanent is almost $500 billion, none of which is offset in the House-passed bills. The President has threatened to veto permanent extensions that are not paid for.

Some in the Senate see a likely deal as 47 of the 50 provisions get a 2-year extension, and 3 are made permanent (e.g. R&D tax credit and child tax credit, earned income tax credit, and higher education tax credit passed as stimulus tax provisions that expire in 2017). There is also some question about viability of the corporate inversions provision sought by Democrats as a trade for permanency on something Republicans want.

Senate Finance Committee Chairman Ron Wyden (D-OR) and Ranking Member Orrin Hatch (R-UT) have both expressed the hope that Congress will approve a tax extenders package during the lame duck session. GOP Leader Mitch McConnell has also said that with a Republican Senate in the offing, he wants to pass tax extenders right away and get a budget agreed upon for the entirety of the fiscal year, leaving his calendar open in early 2015 to show the GOP can “govern”— potentially with tax policy. House Republican leaders, on the other hand, continue to maintain that choosing certain provisions to make permanent would achieve a better long-term outcome. However, House Majority Leader McCarthy and Whip Scalise have said in recent weeks they have passing extenders before the end of the year as a priority, to clear the decks for a new start for the Republican controlled Congress. What is in the final

KEY TAKEAWAYS

- Early action on business tax extenders in the lame duck session is likely to clear the agenda for the new Congress
- Tax reform, at least business tax reform, is a priority for new congress and if not enacted will be teed up for the new president.

...
package will again be kicked to the leadership.

On other Finance Committee jurisdictional matters in lame duck, Chairman Wyden’s staff has discussed markups of “bipartisan, noncontroversial bills” like the ABLE Act and possibly the Oregon & California lands bill – now in Finance jurisdiction after Wyden added capital gains modifications to it – but no hearings are planned for the period. Notably, the chairman has not discussed these ideas with his caucus to date.

Another key tax provision, The Internet Tax Freedom Act (ITFA), which prohibits states from taxing Internet access, currently expires on December 11, 2014. ITFA’s strongest supporters would like to see the law made permanent as soon as possible, and will urge Congress to take that step in the lame duck session. Senate Majority Leader Reid (D-NV) has already said that he intends to have the Senate take up the Marketplace Fairness Act (MFA) as part of its lame duck consideration of ITFA. MFA, which would allow states and localities to enforce their sales and use taxes on internet sales to their residents, already passed the Senate last May on a bipartisan vote of 69-27. The House passed a bill making ITFA permanent in July.

Starting in January at the Finance Committee, the leadership is unlikely to change, but Wyden will swap roles with Hatch.

A NEW START

With the Republicans capturing the Senate, leadership has said they want to use the first few months of the new majority to show the party can govern. They are rallying around proposals that could attract support from Democrats, such as a repeal of the medical device tax. Another top priority is passing a budget resolution that could lay the groundwork for tax reform.

Could tax reform really happen next year? More and more tax optimists will tell you early 2015 is the perfect time to do business-only tax reform. The White House needs reform to show it’s still relevant during President Barack Obama’s last two years in office — and the GOP will want to demonstrate that it can get major policy priorities passed after seizing control of Congress. Could the two sides come together since they’d mutually benefit? The odds are still very low but it is a possibility.

It would have to be done in 2015, well before the 2016 presidential campaign rhetoric heats up. It would have to be business-only tax reform because Democrats would want to raise taxes on individuals should they decide to tackle the individual side of the code, too — something the GOP would never, ever go for. One thing that’s unclear is what could jump-start the tax reform conversation. The driving force in theory could be the debt ceiling, but that could drag out until mid- or late-summer. Also continued concerns over corporate inversions could be a driver here, as the Treasury Department action has not alleviated concerns.

Another interesting debate of import to tax policy is how Congress scores revenue gains and losses. Likely Ways and Means Chairman Paul Ryan’s statements that the present Joint Committee on Taxation revenue estimating models be modified to take into account changes in GDP – known as dynamic scoring – can make scoring tax reform easier, if they are estimated to grow the economy. Contrast that view with Treasury Secretary Lew’s belief that tax reform needs to be revenue neutral over 20 to 30 years (hard to imagine accurate economic forecasting that far out) while insisting that short-term revenue gains (from repatriating overseas funds or gains from timing changes like depreciation, for example) inside the current 10 year estimating window should not be counted. Hard to see those views reconciled.
Technology & Telecommunications

The more things change, the more they stay the same. Another Congress has come and gone with no movement on any major piece of legislation involving tech or telecom. However, Cornerstone sees a light at the end of the tunnel as key members of Congress will be serving their final terms in leadership positions and of course the President will be in the final two years of his Presidency. This political reality could set up a slew of legislative victories for industry clamoring to see movement in the policy mess piling up.

Perhaps the biggest piece of legislation that could emerge in the next Congress would be a comprehensive rewrite of the 1996 Telecommunications Act. Many pundits believe this is a longshot given the complexity of such an endeavor, but the House Energy & Commerce Committee began holding hearings and inviting comments way back in December 2013 (http://energycommerce.house.gov/commactupdate).

According to Politico, “since launching the reform effort in December, the E&C Committee has held a series of hearings and staff briefings and issued whitepapers calling for comments on telecommunications issues, ranging from spectrum to interconnection. According to Chairman Fred Upton, the committee will use the rest of this year to gather facts and begin drafting next year.

‘When we launched our efforts toward a #CommActUpdate back in 2013, we planned to use this year to gather information to inform our work,’ he said in a statement, invoking the Twitter-friendly hashtag being used to brand the overhaul effort. ‘Next year, we’ll put pen-to-paper to update our nation’s communications laws for the innovation era.’”

Upton only has two years remaining as chair of the full House Energy & Commerce Committee as does Communications Subcommittee Chair Greg Walden. Almost certainly these two active members of Congress would like to see a legacy telecommunications bill passed on their watch. With the Senate flipping to Republican control, they will have friendly Senators to work with in John Thune (SD) and Roger Wicker (MS) – Thune will lead the full Senate Commerce Committee and Wicker the Communications Subcommittee. For the Republicans this change will be especially important given their belief that the Obama Administration (and by extension the Federal Communications Commission) has been using executive authority to make changes to existing law that overreach the President’s authority. Look for aggressive oversight of the FCC, NTIA and related agencies in the coming two years. (It should be

KEY TAKEAWAYS

- Republican Senate may afford opportunity for rewrite of 1996 Telecom Act
- House leadership (Scalise and McMorris Rogers) have been leaders on Technology and Telecommunication
- Oversight of FCC, FTC, and NTIA will increase significantly

Cornerstone Government Affairs (Nov. 5, 2014)
noted that one potential roadblock to activity on tech or telecom issues is Chairman Upton’s work on his 21st Century Cures project and his desire to see robust legislation pass that fundamentally reforms the Food & Drug Administration (FDA) and to a lesser degree, the National Institutes of Health (NIH)).

Short of comprehensive reform, the committees could choose to move pieces of the larger puzzle. Below is a quick list of some of the many issues that could be considered in some form by the Congress:

- Net neutrality
- Cybersecurity
- Data mining / privacy
- Data breach
- Identity theft
- Spectrum auctions
- SA spying
- Mobile phone encryption
- Interconnection rules
- Immigration reform (STEM education, H1-B visas)
- Tax reform (R&D)
- STELA reauthorization
- Cloud computing
- Patent reform
- FCC oversight
- FTC oversight

HOUSE OF REPRESENTATIVES

ENERGY & COMMERCE COMMITTEE – With the Republicans retaining control of the House, leadership with the key tech/telecom committees will remain unchanged. As previously mentioned Chairman Upton (MI) and Chairman Walden (OR) will be in their final terms as chairs on the Commerce Committee. Additionally, change will come at the top of the committee for the Democrats with either Frank Pallone (NJ) or Anna Eshoo (CA) taking over as Ranking Member for the full committee. Both of these members are considered friendlier to industry than outgoing Ranking Member Henry Waxman (CA), which may bode well for a pathway forward. Finally, and importantly, it should be noted that two members of the house leadership – Steve Scalise and Cathy McMorris Rogers – serve on this committee and as a result, have direct connection to the issues that may come before the committee.

Other members who are leaving the committee and were active on tech/telecom issues include Cory Gardner (CO), who ran successfully for the Senate, Bruce Braley (IA), who ran unsuccessfully for the Senate, and Lee Terry’s (NE) defeat. Terry was a strong industry advocate who currently chairs the Trade Subcommittee. He is considered to be very thoughtful on the issues and was particularly focused on data breach and patent reform. It is unclear who will take his place chairing the subcommittee although Leonard Lance (NJ) is the vice chair. Marsha Blackburn may also make a run at the chairmanship

JUDICIARY COMMITTEE – Bob Goodlatte (VA) will continue to chair the Judiciary Committee and the ranking member will continue to be John Conyers (MI). We see little change in the direction of this committee with the $64,000 question continuing to be whether comprehensive immigration reform can be achieved. This decision will ultimately be made by Speaker John Boehner (OH). Goodlatte is the co-founder of the Internet Caucus and is well-versed on tech/telecom issues. This committee will focus its efforts on immigration reform and patent reform.

HOMELAND SECURITY COMMITTEE – Likewise with the Homeland Security Committee, the chair will remain the same – Mike McCaul (TX) – as will the ranking member – Bennie Thompson (MS). This committee has become increasingly important given its jurisdiction (full or partial) over issues such as surveillance, cybersecurity, emergency communications, and cloud computing.
ANALYSIS OF THE 2014 ELECTIONS

SENATE

COMMERCe, SCIENCE & TRANSPORTATION COMMITTEE – With the Senate Republican takeover John Thune (SD) will take the reins of the full committee and Roger Wicker (MS) will lead the Communications Subcommittee. (Wicker is also considering a run for NRSC chair, which would put him in Senate Leadership.) Both Thune and Wicker would be markedly different as leaders of this committee, when compared to retiring Chairman Jay Rockefeller (WV), working much closer with industry and moving strongly on oversight of the Democratically-controlled FCC. Additionally, and as mentioned previously, the Republican takeover of the Senate could open door for tech/telecom collaboration between the two houses, leaving it up to the President to decide if he wants to move significant legislation in his last two years. Thune is also likely to take a strong oversight look at the FTC around data breach. For the Democrats the picture is less clear although it would likely fall to Bill Nelson (FL). Importantly, we note that Mark Pryor (AR), who was the Communications Subcommittee chair lost his reelection bid. Additionally, as of this writing the reelection races for Mark Warner (VA) and Mark Begich (AK) were still undecided. With Pryor gone attention is focused on either Claire McCaskill (MO) or Amy Klobuchar (MN) as ranking member of the communications subcommittee.

JUDICIARY COMMITTEE – Pat Leahy (VT) will continue to lead the committee for the Democrats and Charles Grassley (IA) for the Republicans. Interestingly, none of the members of this committee retired or were defeated leaving the status quo largely in place save for the change to Republican control and therefore a change in the Republican to Democratic ratio. As with their house counterparts, this committee will be responsible for immigration reform and patent reform.

HOMELAND SECURITY & GOVERNMENTAL AFFAIRS COMMITTEE – Democratic leadership will remain the same with Tom Carper (DE) but the Republicans will likely move Ron Johnson (WI) to the top spot to chair the committee. As with their house counterparts, this committee will focus on surveillance, cybersecurity, emergency communications, and cloud computing.
Transportation

The next Congress will usher in new leadership to move reauthorizations for road, air and rail programs. But, will the new chairmen be able to break the stop-gap cycles and produce certainty for transportation stakeholders? If new revenue is not found, expect to see transformational policies for the financing and management of America’s transit systems.

LEADERS

The 114th Congress will upheave the committees of jurisdiction for federal transportation programs. In both chambers, full committee tax and appropriations subcommittee chairmen take the gavels. And, next year will see new Chairmen on Senate Environment and Public Works (EPW) and Commerce as well as a new ranking member for House Transportation and Infrastructure (T&I).

SURFACE TRANSPORTATION

In July, Congress narrowly avoided a bankruptcy of the Highway Trust Fund by extending federal surface transportation programs through May 2015. Instead of addressing the structural imbalance of the Highway Trust Fund (the federal gas tax has been stuck at 18.4 cents a gallon since 1993), Congress opted for a scheme that transferred general revenue, made changes to pension calculations and extended Customs and Border Protection user fees.

With an increase in gas taxes at the pump or changes to a per-miles-traveled system highly unlikely in the next Congress, transportation leaders may explore an inflation-indexed tax on gasoline refiners. Should that fail, the prospects for traditional, long-term funding solutions become bleak. Instead, expect to see proposals that target funding for bridges, utilize infrastructure banks, tie financing to Keystone, increase the authority and responsibility of states to build and finance projects through tolling, roll-back federal environmental regulations and reduce the Federal government’s role in mass transit.

FAA REAUTHORIZATION

The 114th Congress must also reauthorize the host of aviation programs set to expire in September 2015. Like surface transportation, Committee leaders will be constrained by revenue generated by taxes and fees on passengers and fuels. Expect passenger facility charges to be at the
ANALYSIS OF THE 2014 ELECTIONS

head of the debate. Paid by passengers and capped at $4.50 per leg and $18 per round trip, the issue has put the Obama administration and airports on one side and airlines on the other. In recent budget submissions, the Department of Transportation requested a passenger facility charge (PFC) increase to $8 per leg in exchange for reduction in grant funding for large hub airports. In response, airlines alleged that airports were already well-funded and argued any increase on already highly-taxed passengers will result in less flyers. The FAA’s conversion of radar to satellite-based airplane navigation, or NextGen, should also receive significant focus. The $20 billion program is over-budget, off-schedule and yet to produce a clear cost/benefit analysis. Other, formerly niche issues like unmanned aerial vehicles (UAVs), are expected to receive increased attention in the next Congress. Finally, expect “passenger rights” issues (largely in the form of ticket tax transparency) to see consideration.

AMTRAK

Perhaps the biggest transportation loser in the November elections is Amtrak. Since its inception, the government-owned and subsidized corporation has been a perennial target for Republicans. Despite record ridership in the northeast corridor, Amtrak has suffered, in part, by requirements to service money-losing routes in other areas of the country. While significant portions of the Republican caucus would support eliminating subsidies and privatizing routes, a more likely outcome is a reduction in support for construction costs.
Appendices
## Appendix 1: New Members

### SENATE REPUBLICANS
- Shelley Moore Capito (WV)
- Tom Cotton (AR)
- Steve Daines (MT)
- Joni Ernst (IA)
- Cory Gardner (CO)
- James Lankford (OK)
- David Perdue (GA)
- Mike Rounds (SD)
- Ben Sasse (NE)
- Thom Tillis (NC)

### SENATE DEMOCRATS
- Gary Peters (MI)

### HOUSE REPUBLICANS
- Rick Allen (GA-12)
- Brian Babin (TX-36)
- Mike Bishop (MI-8)
- Rod Blum (IA-1)
- Mike Bose (IL-12)
- Dave Brat (VA-7)
- Ken Buck (CO-4)
- Buddy Carter (GA-1)
- Barbara Comstock (VA-10)
- Ryan Costello (PA-6)
- Carlos Curbelo (FL-26)
- Bob Dold (IL-10)
- Tom Emmer (MI-6)
- Glenn Grothman (WI-6)
- Frank Guinta (NH-1)
- Crescent Hardy (NV-4)
- Jody Hice (GA-10)
- French Hill (AR-2)
- Will Hurd (TX-23)
- Evan Jenkins (WV-3)
- John Katko (NY-24)

### HOUSE DEMOCRATS
- Alma Adams (NC-12)
- Brad Ashford (NE-2)
- Don Beyer (VA-8)
- Brendan Boyle (PA-13)
- Mark DeSaulnier (CA-11)
- Debbie Dingell (MI-12)
- Ruben Gallego (AZ-7)
- Gwen Graham (FL-2)
- Brenda Lawrence (MI-14)
- Seth Moulton (MA-6)
- Ted Lieu (CA-33)
- Donald Norcross (NJ-1)
- Kathleen Rice (NY-4)
- Mark Takai (HI-1)
- Norma Torres (CA-35)
- Bonnie Watson Coleman (NJ-12)
ANALYSIS OF THE 2014 ELECTIONS

HOUSE REPUBLICANS (CONT.)
Steve Knight (CA-25)
Barry Loudermilk (GA-11)
Mia Love (UT-4)
Tom MacArthur (NJ-3)
John Moolenaar (MI-4)
Alex Mooney (WV-2)
Gary Palmer (AL-6)
Bruce Poliquin (ME-2)
John Ratcliffe (TX-4)
David Rouzer (NC-7)
Steve Russell (OK-5)
Elise Stefanik (NY-21)
Dave Trott (MI-11)
Mark Walker (NC-6)
Mimi Walters (CA-45)
Bruce Westerman (AR-4)
David Young (IA-3)
Lee Zerdin (NY-1)
Ryan Zinke (MT-At Large)
Appendix 2: Departing Members

SENATE REPUBLICANS
Saxby Chambliss (GA)
Tom Coburn (OK)
Mike Johanns (NE)

SENATE DEMOCRATS
Kay Hagan (NC)
Tom Harkin (IA)
Tim Johnson (SC)

HOUSE REPUBLICANS
Michele Bachmann (MN-6)
Spencer Bachus (AL-6)
Kerry Bentivolio (MI-11)
Paul Broun (GA-10)
Dave Camp (MI-4)
John Campbell (CA-45)
Eric Cantor (VA-7)
Shelley Moore Capito (WV-2)
Bill Cassidy (LA-6)
Howard Coble (NC-6)
Tom Cotton (AR-4)
Steve Daines (MT-At Large)
Cory Gardner (CO-4)
Jim Gerlach (PA-6)
Phil Gingrey (GA-11)
Tim Griffin (AR-2)
Ralph Hall (TX-4)
Doc Hastings (WA-4)
Jack Kingston (GA-1)
James Lankford (OK-5)
Tom Latham (IA-3)
Vance McAllister (LA-5)
Buck McKeon (CA-25)
Gary Miller (CA-31)
Tom Petri (WI-6)
Mike Rogers (MI-8)
Jon Runyan (NJ-3)
Steve Southerland (FL-2)
Steve Stockman (TX-36)
Lee Terry (NE-2)
Frank Wolf (VA-10)

HOUSE DEMOCRATS
Rob Andrews (NJ-1)
John Barrow (GA-12)
Tim Bishop (NY-1)
Bruce Braley (IA-1)
John Dingell (MI-12)
Bill Enyart (IL-12)
Pete Gallego (TX-23)
Joe Garcia (FL-26)
Colleen Hanabusa (HI-1)
Rush Holt (NJ-12)
Steven Horsford (NV-4)
Dan Maffei (NY-24)
Jim Matheson (UT-4)
Carolyn McCarthy (NY-4)
Mike McIntyre (NC-7)
Mike Michaud (ME-2)
George Miller (CA-11)
Jim Moran (VA-8)
Gloria Negrete McLeod (CA-35)
Bill Owens (NY-21)
Ed Pastor (AZ-7)
Gary Peters (MI-14)
Nick Rahall (WV-3)
Brad Schneider (IL-10)
Allyson Schwartz (PA-13)
Kay Hagan (NC)
Tom Harkin (IA)
Tim Johnson (SC)
Carl Levin (MI)
Mark Pryor (AR)
Jay Rockefeller (WV)
Mark Udall (CO)
John Walsh (MT)
Carol Shea-Porter (NH-1)
John Tierney (MA-6)
Henry Waxman (CA-33)