



Date: November 12, 2014
To: Federal Legislation Committee Members
From: Patrick H. West, City Manager *PHW*
Subject: **Report on the 2014 Federal Legislative Session**

For your information, attached are several reports from Van Scoyoc and Associates, with whom the City contracts for federal legislative advocacy:

- **Legislative Update: (1) July – October 2014**
This report provides details on federal items of interest to the City, including issues related to FY 15 appropriation bills and the current Continuing Resolution, Los Angeles River Estuary Dredging, the East San Pedro Bay Ecosystem Restoration Study, and Marketplace Fairness Act.
- **Post-November 2014 Election Memo for Long Beach**
This short memo provides a summary of election results that will impact the City in the next Congressional Session.
- **Legislative Outlook and Election Analysis: November 2014**
This longer analysis provides an overview of major federal issues that Congress may address before the end of the year, as well as issues that may arise as a result of the shift in political power in the U.S. Senate from the 2014 mid-term elections.

Please contact Diana Tang, Manager of Government Affairs at 8-6506 if you have any questions.

cc: Mayor and Members of the City Council
Jyl Marden, Interim Assistant City Manager
Tom Modica, Deputy City Manager
All Department Directors
Diana Tang, Manager of Government Affairs
Van Scoyoc Associates

Attachment
PHW-DT
M:\IGR\Federal\Fed Leg Comm\Memos 2015\ MCC_VSA July-Sept Report_11-11-14.doc



VAN SCOYOC
A S S O C I A T E S

101 Constitution Avenue, N.W.
Suite 600 West
Washington, DC 20001

MEMORANDUM

To: Pat West, City Manager
Tom Modica, Assistant City Manager
Diana Tang, Manager of Government Affairs

From: Thane Young
Laura Morgan
Max Perkins

Subject: Legislative Update for July - October 2014

Date: November 12, 2014

FY15 Appropriations

Congress was unable to pass a single Fiscal Year (FY) 2015 appropriations bill before they recessed for the November elections. As a result, they passed a Continuing Resolution (CR) which will continue to fund the federal government until December 11, 2014. With Congress returning to Washington, D.C. this week, they will begin work on addressing the FY15 spending bills. The Chairmen of both the House and Senate Appropriations Committees have directed their staff to have an omnibus ready to go the floor by the week of December 8th. However, it is unclear if they will have the votes to pass an omnibus bill. A group of House Republicans is pushing for another short-term CR to carry over until the new Congress when Republicans will have control of both houses and can exert more control over the funding levels.

Los Angeles River Estuary

After the City and private interests conducted emergency dredging, and after Catalina Express temporarily suspended operations because of siltation in the estuary, the U.S. Army Corps of Engineers is finally responding to the City's urgent requests for dredging. For nearly thirty years, Catalina Express has provided a ferry service from the Catalina Landing Boat Terminal to the City of Avalon on Catalina Island, with over 600,000 passengers traveling out of Long Beach each year. The Los Angeles River federal channel serves as the path of egress for the ferry service from the Terminal to the mouth of the Long Beach Harbor on its route to Avalon. Successful operation of the Terminal relies on the navigability of the channel, which is maintained by the Army Corps of Engineers (Army Corps). Conditions in the channel require that the Army Corps perform maintenance dredging every three to five years to remove sediment deposits. Catalina Express requires a minimum depth of

approximately 10 feet to safely operate. Currently, navigation depth is diminishing in parts of the channel due to sediments deposited from the Los Angeles River.

A dredging contract for over \$4 million was awarded on September 30, utilizing FY 14 work plan funds. However, a start date for the dredging has not been announced. The President's budget request for FY 15 includes an additional \$7.74 million for harbor dredging, the majority if not all of which is expected to be expended in the estuary. In the event that Congress adopts a year-long CR, additional dredging will be possible because of the FY 14 work that will soon commence.

Shoemaker Bridge

The City is seeking to reprogram a \$1 million grant from the U.S. Department of Transportation for realignment of Shoemaker Bridge. The grant was awarded as a congressional earmark in FY 2010; however, the earmark was erroneously placed in an account that cannot fund the necessary study and design work. Rep. Alan Lowenthal asked DOT to reprogram the funds to the appropriate account and was informed by DOT that the department does not have the authority to reprogram and that Congress needed to take action to correct the problem. Subsequently, Rep. Lowenthal requested that the House Appropriations Committee include language to reprogram the funds in DOT's FY 2015 appropriations bill. Unfortunately, the Appropriations Committee considers such reprogramming a policy rather than a funding matter and recommends that the matter be addressed in the next transportation reauthorization bill. Congress recently passed an extension of that legislation until May 31, 2015. Once the new Congress is seated in January, we will begin working on a strategy to include a provision in the transportation authorization bill to allow for reprogramming of the funds.

Waters of the United States

The proposed rule by EPA and the Corps has received increased attention in Congress over the last few months. Several Congressional Committees have held hearings on the proposed rule; all of which have been lengthy and filled with some heated exchanges between Members and the EPA. Two appropriations bills that fund the Corps of Engineers and EPA include provisions to halt funding for the rule. Additionally, the House passed "Waters of the United States Regulatory Overreach Protection Act of 2014" (HR 5078) to prevent EPA and the Corps from implementing the rule. VSA has also participated in several listening sessions with EPA and the Corps of Engineers to express the rule's potential impact on cities and to gain a better understanding of the agencies' intent with the rule.

EPA and the Corps released a proposed rule to redefine waters of the U.S. in April. The public has until November 14 to submit comments on the proposed rule, and some Gateway Cities have expressed their intention of sending comment letters. The rule contains several provisions of concern, such as all tributaries--defined as any natural or man-made conveyance with a bed, a bank, and an ordinary high water mark--would be regulated as a water of the U.S. Such a definition would inevitably include features of storm water systems, roadside ditches, and potentially the entire water delivery system for the State of California. The rule also proposes to designate all waters within a floodplain, riparian area, or certain eco-regions (one such region could possibly include the Santa Ana River Watershed) as waters of the U.S. Exemptions would be maintained for wastewater treatment systems and agriculture irrigation systems as determined by EPA; however the caveat is added in the rule that only those wastewater features "designed to meet the requirements of the Clean Water Act" would be exempt.

Marketplace Fairness Act

Earlier this week, Speaker John Boehner said that he has significant concerns about the Senate-passed Marketplace Fairness Act (S 743), and he will not move the bill in the House this year.

Supporters of the Marketplace Fairness Act had hoped that with the consideration of the Internet Tax Freedom Act (ITFA) there would be an opportunity for passage of S 743. The ITFA was originally enacted in the 1990's and bans municipalities from taxing access to the internet. It is considered to be a "must pass" piece of legislation during the lame duck session this fall. The ITFA was set to expire this October but a short-term extension was included in the recently enacted Continuing Resolution which funds the government (and extends the ITFA) until December 11.

Tax-Exempt Municipal Bonds

Earlier this year, President Obama included language in his FY15 budget proposal to cap itemized deductions at 28 for high income earners. This cap would also include interest earned from tax exempt municipal bonds. Last year, the House Ways and Means Committee held a hearing on tax provisions important to local governments. The City sent a statement to the Committee in support of tax-exempt financing.

A proposed cap of 28 percent for deductions and exemptions would increase municipal bond interest costs by 0.7 percent, resulting in higher costs for municipalities to issue bonds for schools, hospitals, infrastructure, transit, transportation, and other public facilities and services.

Last July, a bipartisan Dear Colleague letter was circulated in the House addressed to Speaker Boehner and Minority Leader Pelosi, asking them not to make any changes to tax exempt municipal bonds. VSA reached out to Reps. Lowenthal and Hahn and asked them to sign onto this letter. Rep. Lowenthal signed onto the letter, along with 139 other Members of the House. The issue has not advanced because of the lack of consensus on the breadth and scope of tax reform legislation. However, the concept could possibly be reintroduced next year in the President's FY16 budget request.

States' Medical Marijuana Patient Protection Act

There has been no Congressional action on this legislation. Long Beach supports the "States' Medical Marijuana Patient Protection Act" (HR 689). Last year, Representative Earl Blumenauer (D-OR) introduced this bill to reschedule medical marijuana for medical uses in accordance with the laws of various States. This bill is similar to the bill introduced last Congress by former Representative Barney Franks (D-MA). The bill currently has 26 cosponsors, including Rep. Alan Lowenthal. The bill has been referred to the House Energy and Commerce, and Judiciary committees for consideration. Because no further consideration is expected this year, the bill will have to be reintroduced next year when the 114th Congress convenes.

Restoring Glass-Steagall

There has been no Congressional action on this legislation. Last year, Representative Marcy Kaptur (D-OH) reintroduced her bill, the "Glass Steagall Restoration Act" (HR 129). The bill is the same as the bill she introduced in the previous Congress. The bill currently has 83 cosponsors, including Reps. Janice Hahn and Alan Lowenthal. The bill has been referred to the House Financial Services committee for consideration. Senator Tom Harkin (D-IA) has introduced a companion bill in the Senate (S. 985). The bill does not have any cosponsors and has been referred to the Senate Banking, Housing, and Urban Affairs Committee. No further action is expected this year, requiring that the bills be reintroduced next year with a new sponsor in the Senate since Sen. Harkin has retired.

Gun Legislation

There has been no Congressional action on gun legislation. Last year, Senator Feinstein reintroduced her assault weapons ban (S 150). This bill was passed out of the Judiciary committee in March. Unfortunately, Senate Majority Leader Harry Reid did not include this bill in the larger legislative package that was considered by the Senate, the "Safe Communities, Safe Schools Act of 2013" (S 649). The Senate debated this bill on the floor in April but did not take a vote to pass the bill. There is no indication at this time that the Senate will try to pass this bill again anytime soon.

Community Development Block Grant (CDBG)

The House and the Senate Appropriations Committees have both passed their respective FY15 Transportation, Housing and Urban Development Appropriations bills. Both bills contain \$3 billion for CDBG, which would ensure the program is level funded from FY14. The President's FY15 budget request included a reduction in CDBG funding at \$2.2 billion.

East San Pedro Bay Ecosystem Restoration Study

VSA is working with Rep. Lowenthal's office to include funding in the President's upcoming FY16 budget request for the East San Pedro Bay Ecosystem Restoration Study. VSA is drafting a letter for the Congressman to send to the Office of Management and Budget making the request. On March 12, 2013, the Long Beach City Council voted to request that the U.S. Army Corps of Engineers amend the Feasibility Cost Sharing Agreement (FCSA) for the East San Pedro Bay Ecosystem Restoration Study to accelerate local-sponsor funding. This would allow the City and Army Corps to re-scope and begin the feasibility study without federal dollars for the first year and a half. Before the City can accelerate the local funds, the Army Corps must notify Congress of this plan. At this time, the Army Corps has initiated the congressional notification process. Unfortunately, the project did not receive funding in the FY14 work plan, nor in the FY15 budget request.

Helicopter Noise Abatement

There has been no Congressional action on this legislation in either the House or the Senate since language requiring the FAA to develop guidelines to reduce helicopter noise in Los Angeles County was passed as part of the FY14 Omnibus Appropriations bill in January 2014. The Long Beach Airport, working in coordination with the Los Angeles Area Helicopter Noise Coalition, has been engaging with the FAA to implement changes to reduce helicopter noise in the area.



VAN SCOYOC
A S S O C I A T E S

101 Constitution Avenue, N.W.
Suite 600 West
Washington, DC 20001

MEMORANDUM

To: Tom Modica and Diana Tang
From: Thane Young, Laura Morgan, and Max Perkins
Subject: Post-Election Memo
Date: November 5, 2014

Long Beach Congressional Delegation

Neither Senators Feinstein nor Boxer were up for reelection in this cycle. In the 44th Congressional District, Representative Janice Hahn won reelection with 87% of the vote. In the 47th Congressional District, Representative Alan Lowenthal won reelection with 55% of the vote.

House

The Republicans not only retained control of the House, but at the time of this memo, picked up a net gain of 14 seats. At the time of this memo, there are currently sixteen House races that are still undecided, sixteen of which are in California (Districts 3, 7, 9, 16, 17, 26, 31 and 52). Congress will be back in Washington, D.C. next week to hold some organizational meetings. It is expected that there will not be any major changes to the House Republican or Democratic Leadership; John Boehner will likely remain Speaker, Kevin McCarthy will likely remain the Majority Leader, Steve Scalise will likely remain the Majority Whip, Nancy Pelosi will likely remain Minority Leader, and Steny Hoyer will likely remain Minority Whip.

Senate

The Republicans picked up a net gain of 7 seats, which was enough for them to take over the majority. At the time of this memo, Republicans have 52 seats, Democrats have 43 seats, there are 2 Independent seats, and three Senate races that are still undecided (Alaska, Louisiana, and Virginia). Besides the Majority and Minority changing parties, there is not expected to be any change in the Senate leadership as a result of the election. Senator Mitch McConnell will likely serve as the Majority Leader and Senator Harry Reid will likely serve as the Minority Leader.

Lame Duck

When Congress returns on to Washington, D.C. later next week, there are several issues that they could choose to take up during the lame duck session including the following:

- FY15 appropriations
- Presidential nominations (possibly Attorney General)
- National Defense Authorization Act

Democrats will still be in control of the Senate during the lame duck since the newly elected Members will not be sworn in until January. It'll still be a few weeks before Congress is done organizing and determining committee assignments. While we can predict in the Senate who will be in control of committees, it is harder to know who will be on which committees because the majority has more seats on each committee than the minority, so there will be shuffling. In the House, there will be a shift in committee numbers as well and because there are quite a few retirements.

Appropriations

Congress is currently operating under a Continuing Resolution (CR) until December 11, 2014. The House and Senate Appropriations Committees have been preparing for the possibility of an omnibus bill in the lame duck. There have been several indications from leadership in both the House and the Senate that an omnibus bill to wrap up the fiscal year 2015 spending bills so the new Congress can start fresh in January. Fiscal Year 2015 began October 1st of this year.

**LEGISLATIVE
OUTLOOK**

**ELECTION
ANALYSIS**



VAN SCOYOC
A S S O C I A T E S

NOVEMBER 2014

OVERVIEW

On Tuesday, November 4, 2014, voters went to the polls and gave the Republican Party control of the U.S. Senate for the first time since 2006, and a larger majority in the House of Representatives. Holding majorities in both the House and the Senate, Republicans will now share more of the burden to govern. Republican leaders were quick to make public statements to counter the perception of their Party as obstructionist. Senator McConnell (expected to become the Majority Leader) and Speaker Boehner (expected to remain Speaker of the House) are already laying out plans to send various pieces of legislation to the President's desk early in 2015.

Congress still has a significant amount of work remaining when they return for the Lame Duck session in mid-November. The current Continuing Resolution (CR) is set to expire on December 11, and Congress must decide how to fund the government for the remainder of FY 2015. In addition, several key tax extenders are set to expire and must be renewed. Furthermore, the Administration has recently requested more than \$6 billion in emergency supplemental spending to combat the spread of Ebola. Congress will likely continue its oversight of the Administration's response to Ebola; consider the National Defense Authorization Act; address U.S. efforts to combat the Islamic State in Iraq and the Levant (ISIL); as well as potentially act on several other expiring pieces of legislation.

LEGISLATIVE OUTLOOK

Congress will meet for a lame duck session of the 113th Congress in mid-November and is set to adjourn on December 12. This is a relatively short amount of time, particularly given the Thanksgiving holiday, for Congress to accomplish a long list of unfinished business. Items most likely to be considered during a lame duck include:

FY 2015 Appropriations

The current short-term CR expires on December 11. There are three likely scenarios for how Congress will deal with funding the government for the remainder of FY 2015.

- First, and we believe most likely, Congress will consider an Omnibus for most of the spending bills, and include the more controversial bills (Labor-HHS, Interior) in a year-long CR. House and Senate leaders have expressed their desire for an Omnibus (or "CROmnibus" as some are calling it) and House and Senate Appropriations Committee staff have been working throughout this recess period to craft one. Senate Democrats will likely support this scenario as the current bills reflect their priorities, and Senate Republicans may be inclined to go along to counter their obstructionist image.
-

- A second scenario would have Congress passing a one or two month CR to extend the process into January or February, allowing the new Senate Majority (and expanded House Majority) to craft legislative priorities more to their liking for FY 2015. However, since the top line budgets for FY 2014 and FY 2015 were agreed-to last year, this scenario would not alter overall spending levels for FY 2015.
- Finally, Congress could pass a CR that extends the government through the rest of FY 2015 (to Sept. 30, 2015). Such a move would signal a desire to simply hold things as they are now and focus on FY 2016.

Tax Extenders

There are over 50 tax provisions (extenders) that have expired, the bulk of which expired December 31 of last year. Congress has traditionally extended these provisions, and we expect, at a minimum, Congress will extend these provisions retroactively for calendar year 2014. The Senate Finance Committee reported out an extenders bill earlier this year that retroactively restored these provisions and extended them through 2015. The House made permanent a number of the more popular extenders, like Research & Development, while not taking action on the majority of the traditional extenders. We believe, given the limited number of days Congress will be in session and the potential for disagreement, that Congress is most likely to restore all the extenders retroactively, but may not extend them forward into 2015 or make any of them permanent.

National Defense Authorization Act

Congress has passed a National Defense Authorization Act for each of last 53 years, and we expect this year will be no different. Although the Senate Committee on Armed Services' bill has not yet been taken up by the full Senate, the House has passed their version of this legislation and have reportedly been working with their Senate Armed Services Committee counterparts to reconcile differences in each chamber's bill. There will likely be next to no policy riders in order to assure its passage.

Ebola Supplemental

On Wednesday, November 5, President Obama sent a supplemental request for nearly \$6.2 billion to fund the U.S. response to the Ebola outbreak in West Africa. The Senate Appropriations Committee has scheduled a hearing for November 12, and we expect the House will also hold hearings related to Ebola during the Lame Duck. Since much of this funding is deemed "emergency" it does not have to be offset, and will therefore be easier for Congress to pass. We expect Congress will provide supplemental funding – although possibly a slightly lower level than requested. It is also possible that Congress will use the Supplemental as the legislative vehicle to carry the FY 2015 Appropriations.

114TH CONGRESS

Congress is set to convene for the 114th session on January 3, 2015. With Republicans in control of both the House and Senate, we expect an active start to the year. First out of the gate, we believe Congress is likely to act on the Keystone XL Pipeline and a repeal of the Medical Device Tax. Both of the items passed the House of Representatives during the 113th Congress and were stalled in the Senate. Both will also test President Obama's willingness to use his veto authority, something he was rarely forced to do during his first six years in office.

In the Senate, Leader McConnell has indicated his desire to return to "regular order," meaning Committees will be more active in drafting legislation, and amendments from both parties will be considered on the floor. With Republicans in control of the Committees, we also expect significantly increased oversight activity in the Senate.

In the House, Majority Leader Kevin McCarthy issued a memo to the House Republican Caucus outlining his legislative priorities for the 114th Congress. In the introduction he outlined a number of recent issues facing the country, from Ebola to the Department of Veterans Affairs to Army Corps of Engineers projects, to the recent IRS problems, and noted the need to bring basic competency back to the operations of the national government.

He details how Congress should play a role in this:

"[T]he government's role in our lives must be measured, limited in its ambitions, constitutionally based, and focused on the big things that only governments can address. Unfortunately, the federal government today interferes too often in too many aspects of our daily lives, both big and small. Restoring competency in government requires both shrinking government to its appropriate scope and mission and reforming how government operates in its core sphere. Inefficient, ineffective, and incompetent federal agencies along with failed government policies have real world consequences. They hurt economic growth and job creation. Restoring economic growth and job creation will be the central policy goal of the next Congress and restoring competence in government will be part of that effort."

He also wants the committees to include "basic regulatory reforms" to any legislation that would authorize new regulations. In essence, these are designed to help reduce the often onerous burden on businesses, especially small businesses, in complying with the law. As the House has already acted on some of these, the Majority Leader thinks the new leadership in the Senate may help to advance these.

With that as background, there are several issues Congress will be forced to deal with in the first session of the 114th Congress.

Budget and Sequestration

Sequestration, the automatic reduction in spending that was created in the Budget Control Act of 2011 and triggered when the “Super Committee” failed to reach an agreement on deficit reduction, is scheduled to return in FY 2016. The Murray-Ryan budget deal, reached in early 2014, had replaced sequestration for FY 2014 and FY 2015. Absent additional deficit reduction measures, sequestration would once again impact discretionary spending.

The President is required to submit his Budget proposal to Congress on the first Monday in February – although many expect his submission will be late this year due to the delay in finalizing FY 2015 spending levels. Both the House and the Senate are required to pass a Budget resolution by April 15, and although Congress has not passed a joint Budget Resolution in several of the last years, we fully expect Republicans will pass a Budget Resolution this year.

One of the benefits of passing a joint Budget Resolution is that it would allow Republicans to use the budget reconciliation process. Budget reconciliation is attractive to Republicans because it cannot be slowed or stopped by a filibuster, and allows them to pass legislation with only 51 votes. Under this process, a concurrent resolution is passed that instructs committees to report changes to the law in order to reconcile their budgets with the overall budget resolution. The House Budget Committee then reports an omnibus reconciliation bill and debate in the Senate would be limited to 20 hours. Under this strategy, the Republican Congress could load a budget package with spending reforms focused on Medicare, food stamps, Dodd-Frank, and tort reform just to name a few, that would force the President to potentially veto the package.

Debt Ceiling

At some point during the first half of 2015, the U.S. is likely to hit the “debt ceiling” again. The date is somewhat flexible, as it will depend on the pace at which the Department of the Treasury collects tax revenue, as well as Treasury’s use of “extraordinary measures” to delay reaching the borrowing cap. While previous debt ceilings have led us to the “fiscal cliff,” both Leader McConnell and Speaker Boehner have said they want to avoid the fiscal brinkmanship of the past. We expect that the debt ceiling will be raised, likely until sometime in 2016, forcing President Obama to request an additional debt ceiling increase during the next Presidential campaign.

Transportation

The Highway Trust Fund will run out of money during the spring of 2015, and Congress will need to enact legislation to continue funding the program. It is possible that Congress will consider new funding mechanisms to fund our nation’s surface transportation system, either in addition to, or instead of, the federal gas tax.

An FAA reauthorization bill may also be considered, as that authorization will expire in late September.

Health

While Republicans have consistently talked about repealing the Affordable Care Act (ACA), we do not believe that is a real possibility. Though it's probable that the House and Senate Republican majorities will seek votes on repealing or defunding the ACA, it's more likely that the Senate Republican Caucus will focus on stripping ACA's more vulnerable provisions, such as the tax on medical devices.

The Sustainable Growth Rate, the method currently used to determine Medicare payments to doctors, is another issue that must be addressed in the 114th Congress. Both the House and Senate passed permanent solutions to the "Doc Fix" in the last Congress, but could not agree on how to pay for it. We anticipate Congress to try and reach agreement on a permanent solution by March 2015 when the current short-term extension expires. It's also possible that Congress may pass another short-term extension.

Defense

Both the House and Senate Armed Services Committees will have new Chairmen in the 114th Congress, and we expect both will work to reassert Congressional oversight with increased oversight of the Obama Administration's response to international events, including the fight against ISIL, the situation in Russia, and the military's role in responding to the Ebola outbreak.

Both Committees can be expected to produce an FY2016 National Defense Authorization Act. With sequestration scheduled to return, we expect both will also play a significant role in trying to protect Department of Defense funding from additional cuts.

Also look for the House Armed Services Committee to continue a serious effort to comprehensively address defense procurement rules (D-FAR) to make the purchasing and development of new vehicles, weapons, and IT systems more efficient; this will be a large focus of the FY2016 NDAA with a potential standalone reform bill in 2016.

Education

There are multiple pieces of authorization legislation that may be considered in the 114th Congress, including the NASA Reauthorization and the America COMPETES Act. Congress did a significant amount of work on NASA Reauthorization and America COMPETES during the 113th Congress and much of that work will be carried over.

On the Higher Education Act Reauthorization, Senator Alexander, who will chair the Senate HELP Committee has indicated he will not use Senator Harkin's discussion draft from the 113th Congress and instead will start from a blank slate. Senator Alexander and Chairman Kline have also indicated they will address the Elementary and Secondary Education Act as well.

In terms of research funding, we do not expect to see increases in research expenditures during the 114th Congress. Indeed, with the looming debt ceiling and other budgetary negotiations, it is

possible that research dollars will decrease. One area that may see an increase, however, is NIH funding for disease research. This is an area that has long been supported by Republicans, and given the recent Ebola outbreak, will likely withstand budget cuts. Likewise, the GOP has indicated a desire to spend more Federal dollars on cybersecurity research.

Energy and Environment

We expect efforts to strengthen greenhouse gas emission laws and the Clean Water Act will be met with more resistance than before. Particularly, we expect Republicans will continue to block Administration efforts to implement rules redefining the term “waters of the United States” through Appropriations riders. Republicans will also use their new control to address the Keystone XL pipeline approval, push for expanding oil and gas exports, and perhaps restart the Yucca Mountain licensing process. Also, bipartisan consensus built up around Shaheen-Portman Energy Efficiency package could provide a useful starting point for an energy bill in the 114th Congress. Reforming the Toxic Substances Control Act (TSCA) could also be an issue that receives consideration late in 2015.

Cybersecurity and Technology

Cybersecurity issues remain at the forefront of the House and Senate Intelligence Committees’ list and will likely receive due consideration. To protect US critical infrastructure, the private sector has been pushing for federal managed mechanisms to collaborate on security threats and utilize federal intelligence from the DOJ, DHS, Intelligence, and military systems entities. However, concerns over proper data privacy protections in the Senate have all but sunk the best faith House information sharing legislative effort (Chairman Roger’s CISPA bill). That said, a package of House passed Homeland Security bills broadly codifying current executive branch cyber protection programs (*NCCIP*), cyber workforce challenges (*Boots on the Ground Act*), and cyber R&D (*CIRDA*) might see quick success in the lame duck or early in the new year.

Also on the tech front, expect a legislative overhaul of the Federal Information Security Management Act (FISMA - federal citizen and contractor data protections) and a federal approach to consumer data breach notification laws. Look for the House to launch a multi-year effort to comprehensively reform the Telecommunications Act of 1996 to ease regulatory uncertainty, address jurisdictional battles between the FCC and FTC, and perhaps establish a national broadband plan or address net neutrality. Senator Orrin Hatch has also signaled that finally moving the needed intellectual property reform and patent trolling legislation will be high priority items.

Trade

On trade, it is possible that the new Republican Senate, out of concern for bolstering US exports and domestic jobs, will pave the way for the Trans-Pacific Partnership (TPP) by granting the Administration Trade Promotion Authority (TPA) early in the 114th Congress. With the Administration looking at their final two years, there is a real opportunity for the President to build a lasting legacy by shifting focus to major trade negotiations, including: the Transatlantic Trade

and Investment Partnership (TTIP), World Trade Organization's trade facilitation and Information Technology Agreement (ITA), and the Trade in Services Agreement (TiSA) treaty.

Financial Services

On the financial front, look for Congress to begin addressing Dodd-Frank technical reforms by utilizing funding bills for the SEC, CSPB, and the CFTC in FY2016 budgets. Anticipated 2015 regulatory actions will keep this policy debate and oversight alive in the 114th Congress.

Immigration

Immigration reform will continue to be a hot button issue, with the thorny issue regarding possible deportation of "DREAMers" and unaccompanied minors. With the Senate now controlled by the Republicans, efforts to increase border security may gain new momentum. Depending on what happens with the President's pending executive action on amnesty, it is highly unlikely that the President and Senate Democrats would allow low hanging fruit, such as allowing more hi-tech visas to be stripped out of the broader immigration reform debate, including the amnesty issue for undocumented immigrants.

Tax Reform

We expect increased activity in both the Senate Finance Committee and House Ways and Means Committee as the new Chairmen seek to lay out their vision for tax reform. It is likely that both Committees will produce white papers and draft proposals which will lay the groundwork for comprehensive tax reform. However, we view comprehensive tax reform as largely out of reach until after the 2016 elections. That said, many of the of the current proposals contain revenue raising items that could be attractive on their own merits and pulled out to offset additional spending before comprehensive reform is considered.

ELECTION ANALYSIS

Senate Election Results and Changes

The Republicans gained control of the United States Senate for the first time since 2006. As of now, the 114th Senate chamber will be comprised of 53 Republicans, 44 Democrats, and 2 Independents (Sen. Bernard Sanders of Vermont and Sen. Angus King of Maine caucus organizationally with Senate Democrats.) This assumes that the Republican candidate in Alaska retains his lead. Senate seat in Louisiana will be determined in a December run-off between Senator Mary Landrieu (D) and Congressman Bill Cassidy (R), with the Republican widely anticipated to win.

The following Senators were re-elected for another 6-year term:

Republicans

Lamar Alexander (Tennessee)
Thad Cochran (Mississippi)
Susan Collins (Maine)
John Cornyn (Texas)
Mike Enzi (Wyoming)
Lindsey Graham (South Carolina)
James Inhofe (Oklahoma)
Mitch McConnell (Kentucky)
Jim Risch (Idaho)
Pat Roberts (Kentucky)
Tim Scott (South Carolina)

Democrats

Cory Booker (New Jersey)
Chris Coons (Delaware)
Richard Durbin (Illinois)
Al Franken (Minnesota)
Edward Markey (Massachusetts)
Jeff Merkley (Oregon)
Jack Reed (Rhode Island)
Brian Schatz (Hawaii)
Tom Udall (New Mexico)
Mark Warner (Virginia)

TO THE BOARD OF DIRECTORS OF THE COMPANY:

I have the honor to acknowledge the receipt of your letter of the 10th day of this month, and in reply to inform you that the same has been forwarded to the appropriate authorities for their consideration.

I am, Sir, very respectfully,
Your obedient servant,
[Signature]

Very truly yours,
[Signature]

[Name]
[Title]
[Address]
[City, State, Zip]

The new faces in the Senate include:

Alaska: The calculus for first-term Sen. Mark Begich has always been difficult, but was made especially so during this year of Republican ascendancy. Begich came to the Senate in 2008 by narrowly defeating scandal-plagued Sen. Ted Stevens, and while he campaigned tirelessly and ran away from President Obama and his agenda, former state Attorney General **Dan Sullivan** prevailed in the Land of the Midnight Sun. Sullivan and Begich both campaigned on issues of local interest to Alaska and Sullivan will likely seek a seat on the Senate Appropriations Committee.

Arkansas: The transition from blue-state to red-state was made complete in the Natural State with the election of first-term Congressman **Tom Cotton** over 2-term Sen. Mark Pryor (D). The Pryor name is a political legacy in Arkansas and Pryor's father, Sen. David Pryor, also previously served in the chamber. But the Republican prevailing winds in Arkansas proved too much, and despite the late campaigning from former President Bill Clinton, Cotton at age 37 becomes the youngest Senator. Cotton previously served on the Financial Services and Foreign Affairs Committees in the House.

Colorado: Perhaps no other "purple state" illustrated the heavy Republican trend of the night better than Colorado. The Silver State was won twice by President Obama, and Sen. Mark Udall (D) came from a storied political family well-known for their service. However, that was not enough for the first-term Senator as he lost decisively to 2-term Congressman **Cory Gardner**. Gardner was able to keep the focus of the race on immigration and economic issues, rather than social issues, and likely will look to continue to focus on business issues from his perch in the Senate. Gardner was a member of the House Energy and Commerce Committee.

Georgia: The retirement of long-time Sen. Saxby Chambliss led to an open seat in the Peach State and business executive **David Perdue** cruised to an easier-than-expected victory over Michelle Nunn, the daughter of former Georgia Senator Sam Nunn. Perdue earned a reputation in business as a "turnaround specialist" after working at Reebok and Dollar General and he is expected to bring a conservative perspective to the Senate. He has,

however, indicated a willingness to work across the aisle. He will seek a seat on the Senate Agriculture Committee.

Iowa: The retirement of 5-term Iowa icon Sen. Tom Harkin set the stage for one of the nation's most competitive Senate races. Democrats ran 4-term Rep. Bruce Braley as their standard-bearer; for years Iowa Democrats had been grooming Braley as a potential Senate replacement. Republican State Senator **Joni Ernst** however ran a sharp, populist campaign, highlighting her roots in the Hawkeye State, particularly on agriculture and economic issues, to cruise to a stunningly easy 9-point victory. Look for Ernst to make a push to join the Senate Agriculture Committee and perhaps the Senate Appropriations Committee, both of which Harkin served on for many years.

Michigan: One of the Wolverine State's most iconic political figures, 6-term Senator Carl Levin (D), retired this year, which led to an open-seat election captured by 3-term Congressman **Gary Peters** (D) of the Detroit-area. Peters defeated former Republican Michigan Secretary of State Terry Lynn Land by a comfortable margin. At one point it was thought this race could be competitive, but Peters pulled away in the last few weeks. Replacing the Chairman of the Senate Armed Services Committee will be difficult; Peters served on the House Financial Services Committee and it is unclear whether he will remain in that area or try to move to a more defense-related role.

Montana: After only one term in the U.S. House, Republican **Steve Daines** was elected by a sizeable margin over Democratic state representative Amanda Curtis in the Treasure State. This seat became vacant with the resignation of one of the Senate's long-serving members, Max Baucus to become the U.S. Ambassador to China. He was replaced by Lt. Gov. John Walsh, appointed to the Senate by Montana Gov. Steve Bullock. After the *New York Times* exposed plagiarism by Walsh while he was at the Army War College, he withdrew from the race and the little-known Curtis was nominated. Daines served on the Homeland Security, Transportation, and Natural Resources Committee while in the House.

Nebraska: The retirement of Sen. Mike Johanns (R) after only one term opened up a seat in the Cornhusker State and college official and conservative favorite **Ben Sasse** easily defeated trial attorney David Domina to claim the seat. Sasse is a former official in the administration of George W. Bush who also became one of America's youngest college presidents when he took over at Nebraska's Midland University. Sasse has been hailed as a "rising star" in the GOP by *National Review* and also likely will become one of the leading fiscal and social conservative voices in the Senate.

North Carolina: The Tar Heel State was one of the nation's top-watched Senate races and it came down to the wire as State House Speaker **Thom Tillis** emerged victorious by a little less than 2 percentage points over first-term Democrat Sen. Kay Hagen. The campaign in this seat was marked by a barrage of negative ads about Hagen's support of President Obama and Tillis's tenure in Raleigh. Tillis likely will attempt to gain membership on the Senate Armed Service Committee given North Carolina's heavy military presence.

Oklahoma: Two-term Republican Congressman **James Lankford** cruised to an easy victory over State Senator Constance Johnson (D) in the Sooner State. The election was required because of the decision of Senator Tom Coburn (R) to resign 4 years into his 6 year term. Lankford therefore will be on the ballot for

a full term in 2016. As a Member of the House, Lankford served as a member of the House Budget Committee and House Oversight and Government Reform Committee, and it remains likely government efficiency areas will remain a prime interest for him in the Senate.

South Dakota: Former Republican Governor **Mike Rounds** scored a victory in a three-way race over Democrat Rick Weiland and Independent Larry Pressler. There were times earlier this fall when national operatives thought the Mount Rushmore State could be in play via Republicans voting for Pressler, who served as a Republican in the United States Senate previously. However Weiland was unable to translate his experience as a former staff member for Sen. Tom Daschle (D-SD) and a FEMA official to enough votes. Rounds will replace Sen. Tim Johnson who served on the Senate Appropriations Committee; it is not clear whether this seat will stay with South Dakota.

West Virginia: 7th term Republican Congresswoman **Shelley Moore Capito** cruised to a comfortable win over Democrat Secretary of State Natalie Tennant in the race to replace the senior Senator from the Mountain State Jay Rockefeller (D). Both Capito and Rockefeller held seats on committees dealing with transportation issues and appointing Capito to the Senate Commerce, Science, and Transportation Committee seems like an apt proposition.

Sen. McConnell is expected to assume the position of Senate Majority Leader, and Senators Cornyn and Thune are likely to remain in their leadership positions, Majority Whip and Conference Chair, respectively.

For the Democrats, it remains to be seen whether Senator Harry Reid will seek and retain the position of Senate Democratic Leader. Senators Durbin (currently the Majority Whip) and Senator Schumer (Democratic Policy Committee Chair) would be in line for the Democratic Leader position should Senator Reid choose not to run. We believe it is unlikely that either Senator Schumer or Durbin would challenge Reid if he seeks the Leader position.

With the change in party control, the entire dynamic of the Senate committee structure will change. Republicans will now chair all committees and will have additional seats on each committee. The change will be felt on several of the power committees, particularly the Appropriations Committee, where stalwart Thad Cochran (R-MS) will be the new chair; the

Finance Committee, which will be chaired by Sen. Orrin Hatch (R-UT); and the Armed Service Committee, chaired by 2008 Republican presidential nominee Sen. John McCain (R-AZ).

Other key Committee Chairman include: Jim Inhofe (R-OK), will chair the Environment and Public Works Committee and is well known as one of the most prominent skeptics of climate change in the Senate; Senator Richard Shelby (R-AL), formerly the Ranking Member of the Senate Appropriations Committee, will chair the Senate Banking Committee and has been a frequent critic of the Dodd/Frank regulatory bill that was enacted in 2010; Senator Lisa Murkowski (R-AK) will chair the Senate Energy and Natural Resources Committee and has long been a proponent of increased domestic energy production.

COMMITTEE	CHAIR	RANKING MEMBER
Agriculture	Pat Roberts (R-KS)	Debbie Stabenow (D-MI)
Appropriations	Thad Cochran (R-MS)	Barbara Mikulski (D-MD)
Armed Services	John McCain (R-AZ)	Jack Reed (D-RI)
Banking	Richard Shelby (R-AL)	Sherrod Brown (D-OH)
Commerce, Science, & Transportation	John Thune (R-SD)	Bill Nelson (D-FL)
Environment & Public Works	Jim Inhofe (R-OK)	Barbara Boxer (D-CA)
Energy	Lisa Murkowski (R-AK)	Mary Landrieu (D-LA)/Maria Cantwell (D-WA)
Finance	Orrin Hatch (R-UT)	Ron Wyden (D-OR)
Foreign Relations	Bob Corker (R-TN)	Robert Menendez (D-NJ)
Health, Education, Labor & Pensions	Lamar Alexander (R-TN)	Patty Murray (D-WA)
Homeland Security & Government Affairs	Ron Johnson (R-WI)	Tom Carper (D-DE)
Intelligence	Richard Burr (R-NC) or Jim Frisch (R-ID)	Dianne Feinstein (D-CA)
Judiciary	Charles Grassley (R-IA)	Patrick Leahy (D-VT)
Small Business & Entrepreneurship	James Risch (R-ID)	Maria Cantwell (D-WA)/Ben Cardin (D-MD)
Veterans Affairs	Richard Burr (R-NC) or Johnny Isakson (R-GA)	Bernie Sanders (I-VT)

House Election Results and Changes

In the House of Representatives, Republicans strengthened their hand by knocking off a number of incumbent Democrats, leading to their largest majority since 1949. Several races remain too close to call, but Republicans have netted at least a 12 seat gain.

Due to losses, retirements, and members running for other elected offices, among other reasons, the 114th Congress will include a freshman class of roughly 15 percent.

Significant change will come to the leadership of the House Committee structure in 2015. In 1994, the GOP imposed a six-year limit on how long a Republican congressman can chair a committee. As a result, almost half the committee chairmanships will change. Three term-limited chairman already retired: House Ways and Means Chairman Dave Camp, Armed Services Chairman Howard "Buck" McKeon, and Natural Resources Chairman Richard "Doc" Hastings. Intelligence Chairman Mike Rogers of Michigan also retired.

House Appropriations Chairman Harold "Hal" Rogers of Kentucky is likely to remain the full Appropriations Committee Chair. However, several of the important Appropriations Subcommittee Chairmanships will change, including Commerce, Justice, Science; Transportation and Housing and Urban Development; and Labor-HHS.

Lamar Smith of Texas is expected to remain Chairman of the Science, Space, and Technology Committee. That committee authorizes NSF, NOAA, NASA, and DOE research programs. Rep. John Kline will remain as the chairman of the Education and Workforce Committee, which has jurisdiction over all education programs.

Several other committee chairmen are term-limited, and it will be up to the House Republican Steering Committee on how to proceed on this issue. They include: Agriculture Chairman Frank D. Lucas of Oklahoma, Budget Chairman Paul D. Ryan of Wisconsin, Oversight and Government Reform Chairman Darrell Issa of California, and Small Business Chairman Sam Graves of Missouri.

The House Republican Steering Committee is comprised of a collection of House leadership and other influential members of the House. The Speaker of the House has a number of votes on the Steering Committee and greatly affects the decisions rendered there. It is likely Kline will remain as Education Chairman given his closeness to Speaker John Boehner. It is also a given that Mac Thornberry (R-Texas) will become the next chairman of the Armed Service Committee. Rep. Tom Price (R-Georgia) will in most scenarios become the next chairman of the Budget Committee. 2012 GOP Vice-Presidential nominee Rep. Paul Ryan, who is term limited on the Budget Committee and Congressman Kevin Brady, who has seniority, are both vying for the Chairmanship of the powerful Ways and Means Committee.

A wild-card concerns the chairmanship of the House Oversight and Government Reform Committee, where current Chairman Issa may ask for a waiver to continue as chairman. Issa has been the point person in the House on investigations concerning the IRS, “Fast and Furious”, and other high-profile Obama administration issues. If he ends up leaving the chairmanship several members are positioned to succeed him, including Reps. Jason Chaffetz (R-Utah), Jim Jordan (R-Ohio), Michael Turner (R-Ohio), and John Mica (R-Florida). It appears Chaffetz has the lead. The Chairmanship of the House Intelligence Committee is appointed by the Speaker of the House and is not subject to the House Republican Steering Committee process.

A list is provided below of likely House Committee Chairmen and Ranking Members:

COMMITTEE	CHAIR	RANKING MEMBER
Agriculture	Michael Conaway (R-TX)	Collin Peterson (D-MN)
Appropriations	Harold Rogers (R-KY)	Nita Lowey (D-NY)
Armed Services	Mac Thornberry (R-TX)	Adam Smith (D-WA)
Budget	Tom Price (R-GA)	Chris Van Hollen (D-MD)
Education & the Workforce	John Kline (R-MN)/Virginia Foxx (R-NC)	Bobby Scott (D-VA)
Energy & Commerce	Fred Upton (R-MI)	Anna Eshoo (D-CA)/Frank Pallone (D-NJ)
Financial Services	Jeb Hensarling (R-TX)	Maxine Waters (D-CA)
Foreign Affairs	Ed Royce (R-CA)	Eliot Engel (D-NY)
Homeland Security	Michael McCaul (R-TX)	Bennie Thompson (D-MS)
Judiciary	Robert Goodlatte (R-VA)	John Conyers (D-MI)
Natural Resources	Rob Bishop (R-UT)	Raul Grijalva (D-AZ)/Frank Pallone (D-NJ)/Grace Napolitano (D-CA)
Oversight & Government Reform	Jason Chaffetz (R-UT)	Elijah Cummings (D-MD)
Rules	Pete Sessions (R-TX)	Louise Slaughter (D-NY)/Jim McGovern (D-MA)
Transportation & Infrastructure	Bill Shuster (R-PA)	Peter DeFazio (D-OR)
Science Space and Technology	Lamar Smith (R-TX)	Eddie Bernice Johnson (D-TX)
Small Business	Steve Chabot (R-OH)	Nydia Velazquez (D-NY)
Ways & Means	Paul Ryan (R-WI)	Sander Levin (D-MI)
Intelligence	Devin Nunes (R-CA)	Dutch Ruppersberger (D-MD)

