

VOTE

ELECTION UPDATE
2014

Our Public Policy, Regulatory & Government Affairs attorneys and lobbyists provide clients with comprehensive government relations strategies and have decades of experience working in government and representing clients at the state and federal level.

Our team closely followed the federal and state elections on November 4, 2014. We understand that elections have consequences for our clients and have prepared this report to provide you with analysis on the following topics:

- Overview of November 4 Election Results
- Outlook for the Lame Duck Congress
- Issues in the Next Congress
- Election Results Across our Footprint States of Arizona, Colorado, Illinois, Kansas, Missouri, Nebraska, Tennessee and Texas

Overview of November 4 Election Results

Senate

- As of this writing, there will be 52 Senate Republicans, 44 Senate Democrats and 2 Senate Independents (who caucus with the Democrats) when the new Congress starts in January 2015. The party with majority control of the Senate controls the Senate agenda and chairs all Senate Committees.
- The race in Alaska is currently too close to call.
- Louisiana, as per state law, will have a December runoff between Mary Landrieu, the incumbent Democrat, and Republican Bill Cassidy.
- With two races outstanding, the Republicans have gained seven Senate seats.
- Republican pickups include:
 - Arkansas (Cotton)
 - Colorado (Gardner)
 - Iowa (Ernst)
 - North Carolina (Tillis)
 - Montana (Daines)
 - South Dakota (Rounds)
 - West Virginia (Capito)
- Pickups in Arkansas, Colorado, and North Carolina resulted from defeat of a Democratic incumbent.
- Remaining four pickups were in open seat races.

House of Representatives

- As of this writing, there are 244 House Republicans and 184 House Democrats.
- Republicans currently have gained 12 seats from this election cycle.
- The 4th and 5th Congressional districts of Louisiana will hold runoffs in December.
- Five House races remain too close to call including:
 - Arizona (2)
 - California (7), (16), and (26)
 - New York (25)
- The Republican majority of House seats will increase due to this election.

State Governors

- As of this writing, there are 31 Republican Governors and 17 Democratic Governors.
- The races in Alaska and Vermont remain too close to call.
- With three races outstanding, the Republicans have gained three Governorships.
- The Democrats picked up Pennsylvania.
- Republican pickups include:
 - Arkansas
 - Illinois
 - Maryland
 - Massachusetts
- One Democratic and one Republican incumbent lost (Illinois and Pennsylvania, respectively).
- The Republican majority of Governorships will increase due to this election.

Outlook for the Lame Duck Congress

Immediate Issues

When Congress reconvenes on November 12, there will be very few weeks to address some of the major problems left on the table when it adjourned. These problems must be considered and resolved before it can adjourn next year. The twist of course is that this Congress is markedly different from the one that will be sworn in this January.

Funding the Government after December 11 - Omnibus Appropriations vs. Continuing Resolution

Prior to the election, Congress passed a continuing resolution providing funds to operate the government after the new "fiscal year" commenced on October 1. The government is on "auto pilot" until December 11 and can run most normal operations at last year's spending levels until permanent legislation for 2015 is in place. This stopgap also provided some temporary funding for new emergencies such as aid to fight the Ebola outbreak in Western Africa, support for Ukrainians in their efforts to remain free, and the means to train and equip those fighting ISIS terrorists. However, the continuing resolution is a half measure that does not fully address the needs of the country that Congress and the President have identified in numerous other areas.

Some leaders of both parties have indicated a desire to pass an Omnibus Appropriations Bill that would fund the Federal government through September 30, 2015. However, due to some opposition by Republicans, a more likely potential scenario may be that another short-term continuing resolution is signed into law. Such a resolution could fund the federal government through some point in the first quarter of next year. The difference of opinion over immigration reform continues to be a major hurdle to the consideration of an Omnibus Appropriations Bill.

Funding for the Ebola Crisis

Though some emergency Ebola funds were provided before Congress recessed, the Ebola crisis has flared and since captured worldwide attention. The President has asked Congress to pass \$6.2 billion in emergency spending for the Department of Health and Human Services, USAID, the Center for Disease Control and other agencies responding to the crisis. Although this may be lumped into an Omnibus Appropriations Bill (explained above), it is a sizable new item that may have to survive on its own, or become an add-on to a continuing resolution. Although headlines on Ebola led the news for weeks prior to the election, public focus has shifted away from our response now that the outbreak is under control in the U.S. Problematically, this could make it harder to "drive" a multi-billion dollar solution and may develop into another stopgap funding solution.

Presidential Action on Immigration Reform

The President's proposals to address immigration reform passed the Senate but have stalled in the House. The President has vowed that after the election he would address the problem by executive order if Congress did not act. If the President issues an executive order, the House and Senate will have to try to reach agreement and move quickly to block the action or wait months to address the problem. It is uncertain if the current Democrat-led Senate would join with the House to block the President's action. Meanwhile, both the incoming Majority Leader of the Senate and the Speaker have warned the President not to act. However, it is quite uncertain how the debate on immigration reform ultimately will play out.

Tax "Extenders" That We Can Depend On

Each year for more than a decade, Congress has passed extensions of tax breaks that benefit businesses and individuals. These ritual votes or "Tax Extenders" cost about \$54 billion per year in lost revenues. Congress thus far has failed to pass these tax breaks for 2014. Businesses and individuals who use the breaks will end the year in the dark about their expenditures and business decisions unless Congress acts quickly. These extenders encompass 51 separate items including small business expensing, the research and experimentation tax credit, bonus depreciation and the earned income tax credit, to name a few. Republicans and some Democrats want to make these tax breaks permanent, but to do so has serious, long-term budget and tax implications. After two years of debate over how best to proceed, Congress now has just a few weeks in a lame duck session to find a solution or end the year leaving businesses and taxpayers clueless as to how their decisions will be taxed.

What to do with the Debt Ceiling

Although the debt-ceiling problem will not come up until March, it is mentioned here because it could drive decisions about how much money can be spent now. Particularly since our spending, especially our emergency spending, and our reduced revenues for 2014 have an impact on how soon the debt ceiling is reached. Problematic in the new Congress, one faction of Republicans wants to cut the budget dramatically or impose consequences, while another faction has been willing to raise the debt limit in order to avoid closing down the government. This debate may define how much money can be spent during the Lame Duck session.

Issues in the Next Congress

Tax Reform

Both parties and the President have said that the tax code needs a major overhaul. Part of the problem has been whether such legislation would be revenue neutral or would raise funds to help balance the budget. Senate Majority Leader Harry Reid (D), refused to move any reform bill to the floor that did not increase revenues to help balance the budget. Major Republican proposals during the election focused on tax reform and tax reduction, so the precedent may change with a new regime.

Debt Limit

The issue of raising the debt ceiling (the amount of money the country can borrow to pay its obligations) will likely be reached in March. This is separate from the annual deficit which is the amount our yearly expenditures exceeds our revenues. While the annual deficit has dropped dramatically in the last couple of years and is now below our recent historic average, we still need to borrow money to pay our bills. In a recent press conference, the new Majority Leader of the Senate stated that he felt Republicans would not pursue this fight again. However, others have indicated that such leverage is necessary to get the President to agree to further spending reductions or repeal of certain laws. Stay tuned.

Affordable Care Act

Repeal of the Affordable Care Act has passed the House in numerous forms but has gone nowhere in the Senate. This year, every new Senator campaigned on repealing Obamacare. Although probably new Majority Leader Mitch McConnell walked that back somewhat, saying they would only seek to repeal the bad parts, most of what critics consider “bad parts” are portions which are used to offset the cost of the Affordable Care Act. Repeal of those parts would create a funding problem that might ultimately sink the Affordable Care Act. For these reasons, the President would probably veto such actions.

Sequestration – Budget Problems

One of the most troubling problems facing Congress has been how to meet the call for smaller government and lower budget deficits while providing the appropriate level of governmental services. Congress papered over this problem with “sequestration” which simply cuts federal spending programs with a few exceptions, by a set amount each year over a period of years. No one supports this method, nor has anyone been able to suggest an alternative that has requisite support. Republicans have argued that defense should be excluded from sequestration and another solution found.

Democrats have argued that other emergencies suggest that the National Institutes of Health should also be exempt, so that Ebola research and similar threats can be researched. Such proposals are expected early in the next Congress as they begin to consider budget proposals for 2016.

Keystone Pipeline and Yucca Mountain

The New Majority Leader and the Republican Caucus has indicated that the Keystone pipeline will be brought up for a vote in the Senate and is one of their top priorities. In the meantime, it is predicted that funds for the Yucca Mountain Nuclear Waste Storage site (which have passed the House) may be considered in the Senate now that Sen. Reid is no longer in charge of the agenda.

Financial Regulatory Overhaul

Republicans have long opposed portions of the Dodd-Frank Act, which was passed after the collapse of the financial markets in 2008. Dodd-Frank calls for increased reserves, additional disclosure, and regulation and oversight to rein in financial institutions and provide added protection to investors and consumers. Critics maintain that the federal response was overzealous and handicapped U.S. businesses resulting in businesses moving overseas.

Trade Agenda

The President has been more eager than others in his party to move the issue of international trade. This is one area where the new House and Senate may be ready to move with him and get something done. While there will still be hurdles, primarily from labor, consumer groups and tea party members who criticize spending on trade promotion, Republican leaders (and businesses) have said they are willing to move legislation that support trade and the “fast track” process.

Analysis of Election Results Across our Footprint States

Governor Races

ARIZONA

Democrat	Republican	Status
DuVal 41.5%	Ducey 53.8%	GOP Hold

Republican State Treasurer and Arizona businessman Doug Ducey cruised to victory over Democratic opponent Fred DuVal. During his campaign, the former Cold Stone Creamery CEO focused on economic issues and cutting taxes. Ducey will become Arizona's 23rd Governor in January.

COLORADO

Democrat	Republican	Status
Hickenlooper 48.9%	Beauprez 46.5%	Dem Hold

Democratic Governor John Hickenlooper survived the Republican wave and narrowly won re-election to a second 4-year term. The former two-term Denver mayor successfully distanced himself from the anti-Obama and anti-incumbent sentiment that hampered many of his fellow Democrats. His victory over Republican Bob Beauprez was a bright spot for the Democratic Party on Tuesday evening.

ILLINOIS

Democrat	Republican	Status
Quinn 45.9%	Rauner 50.8%	GOP Pickup

Republican challenger Bruce Rauner defeated sitting Democratic Governor Pat Quinn in the most expensive Governor's race in Illinois history. Rauner carried 101 out of 102 Illinois counties, with his only loss coming in Cook County. The former businessman Rauner spent nearly \$28 million of his own money in a contentious race and will take office on January 12th.

KANSAS

Democrat	Republican	Status
Davis 46.1%	Brownback 50.0%	GOP Hold

Republican Kansas Governor Sam Brownback won a hotly contested re-election bid on Tuesday night. Brownback's seat was portrayed as a possible Democratic pickup during the election, but he was able to narrowly defeat Davis and earn a second term. Libertarian candidate Keen Umbehr also siphoned some anti-incumbent voters away from Davis, contributing to Brownback's re-election.

NEBRASKA

Democrat	Republican	Status
Hassebrook 38.9%	Ricketts 57.6%	GOP Hold

Omaha businessman Pete Ricketts easily defeated Democratic opponent Chuck Hassebrook on Tuesday. Ricketts revived his political career after losing a Senate race to incumbent Ben Nelson by 28 percentage points eight years ago. Despite a strong campaign by Hassebrook, Ricketts' financial advantage and the politics of a traditionally conservative state led to a large margin of victory.

TENNESSEE

Democrat	Republican	Status
Brown 22.8%	Haslam 70.3%	GOP Hold

Republican Bill Haslam was re-elected to a second term as Tennessee Governor on Tuesday. In a widely expected result, Democratic challenger Charlie Brown was unable to present a serious challenge to Haslam. The former Knoxville mayor and co-owner of Pilot Oil cruised by around 50 percentage points.

TEXAS

Democrat	Republican	Status
Davis 38.9%	Abbott 59.3%	GOP Hold

Republican State Attorney General Greg Abbott defeated Democratic State Senator Wendy Davis in the first open election for Texas Governor since 1990 after Rick Perry announced he would not seek a 4th term. Abbott was projected to carry the state despite a highly publicized and controversial race. Davis gained a nationwide following with her 11-hour filibuster of a restrictive abortion bill but doomed ultimately by a large cash disadvantage and running in a reliably conservative state.

Senate Races

COLORADO

Democrat
Udall 45.8%

Republican
Gardner 48.7%

Status
GOP Pickup

U.S. Representative Cory Gardner defeated incumbent Democratic Senator Mark Udall in a close race that resulted in a Republican pickup. Gardner was able to best Udall in order to secure a key Republican victory in gaining control of the Senate in a race that received national attention. At only 40 years of age, Gardner will be one of the youngest members of the Senate and is poised to become a major player on energy-related issues.

ILLINOIS

Democrat
Durbin 53.1%

Republican
Oberweis 43.1%

Status
Dem Hold

Democratic Senator Dick Durbin defeated Republican challenger Jim Oberweis and will become the first Democrat in Illinois history to hold a 4th term in the Senate. Durbin's large cash advantage, popularity within the state, and seniority among Senate Democrats proved too much for Oberweis. Durbin, the current Majority Whip, will become Minority Whip in 2015 with the Republicans gaining control of the Senate. The former U.S. Representative has served Illinois in the Senate since 1997.

KANSAS

Democrat
Orman (I) 42.5%

Republican
Roberts 53.3%

Status
GOP Hold

Incumbent Republican Senator Pat Roberts was re-elected to a 4th term against Independent Greg Orman and Libertarian nominee Randall Batson. A contested election became even closer when the Democratic nominee, Chad Taylor, withdrew from the race. Eventually, a court decision allowed Taylor's name to be removed from the ballot without the Democratic Party being required to name a replacement. The 78-year-old Roberts overcame an earlier 10-point deficit to ensure Republicans would continue their 82-year string of U.S. senators from Kansas. Roberts also survived a contested GOP primary election.

NEBRASKA

Democrat
Domina 31.1%

Republican
Sasse 64.8%

Status
GOP Hold

Republican nominee Ben Sasse easily won Tuesday night to ensure both Nebraska Senate seats remain in Republican hands. Sasse defeated his Democratic opponent Dave Domina, an attorney who led the fight in Nebraska against the proposed Keystone XL oil pipeline. Sasse will fill the seat being vacated by the retiring Republican Mike Johanns. Prior to his election, Sasse served as president of Midland University since 2009.

TENNESSEE

Democrat
Ball 31.8%

Republican
Alexander 61.9%

Status
GOP Hold

Republican Senator Lamar Alexander easily won a third term Tuesday night, defeating Democratic challenger Gordon Ball, a Knoxville attorney, by a two-to-one margin. Alexander also defeated a challenger in the GOP primary and eventually spent \$8 million on his re-election effort. Prior to serving in the Senate, Alexander served as Governor of Tennessee, U.S. Secretary of Education, and ran twice for President. Because Republicans captured control of the Senate, Alexander's win put him in position to be the new Chairman of the Senate Education Committee.

TEXAS

Democrat
Alameel 34.4%

Republican
Cornyn 61.6%

Status
GOP Hold

Republican Senator John Cornyn breezed to re-election over Democratic challenger David Alameel by more than 27 percentage points Tuesday. Cornyn, the Senate Minority Whip, was first elected in 2002. He is in a strong position to win next week's leadership vote for Senate Majority Whip. Before serving in the Senate, he was Texas Attorney General and served on the Texas Supreme Court.

House Races

ARIZONA

District	Democrat	Republican	Status
District 1	Kirkpatrick 53.1%	Tobin 46.9%	Dem Hold
District 2	Barber 49.7%	McSally 50.3%	Uncalled
District 3	Grijalva 54.7%	Saucedo Mercer 45.3%	Dem Hold
District 4	Weisser 25.8%	Gosar 70.1%	GOP Hold
District 5	Woods 31.3%	Salmon 68.7%	GOP Hold
District 6	Williamson 35.2%	Schweikert 64.8%	GOP Hold
District 7	Gallego 74.3%	Cobb 16.0%	Dem Hold
District 8	Franks 75.8%	-	GOP Hold
District 9	Sinema 54.1%	Rogers 42.5%	Dem Hold

COLORADO

District	Democrat	Republican	Status
District 1	DeGette 65.5%	Walsh 29.4%	Dem Hold
District 2	Polis 56.2%	Leing 43.8%	Dem Hold
District 3	Tapia 35.7%	Tipton 58.1%	GOP Hold
District 4	Meyers 29.1%	Buck 64.8%	GOP Hold
District 5	Halter 40.2%	Lamborn 59.8%	GOP Hold
District 6	Romanoff 42.9%	Coffman 52.1%	GOP Hold
District 7	Perlmutter 54.7%	Ytterberg 45.3%	Dem Hold

ILLINOIS

District	Democrat	Republican	Status
District 1	Rush 72.2%	Tillman 27.8%	Dem Hold
District 2	Kelly 78.0%	Wallace 22.0%	Dem Hold
District 3	Lipinski 64.3%	Brannigan 35.7%	Dem Hold
District 4	Gutierrez 77.9%	Concepcion 22.1%	Dem Hold
District 5	Quigley 63.1%	Kolber 30.8%	Dem Hold
District 6	Mason 32.8%	Roskam 67.2%	GOP Hold
District 7	Davis 85.0%	Bumpers 15.0%	Dem Hold
District 8	Duckworth 55.4%	Kaifesh 44.6%	Dem Hold
District 9	Schakowsky 65.7%	Atanus 34.3%	Dem Hold
District 10	Schneider 48.4%	Dold 51.6%	GOP Pickup
District 11	Foster 53.2%	Senger 46.8%	Dem Hold
District 12	Enyart 41.6%	Bost 52.7%	GOP Pickup
District 13	Callis 41.3%	Davis 58.7%	GOP Hold
District 14	Anderson 34.4%	Hultgren 65.6%	GOP Hold
District 15	Thorsland 25.0%	Shimkus 75.0%	GOP Hold
District 16	Olsen 29.3%	Kinzinger 70.7%	GOP Hold
District 17	Bustos 55.2%	Schilling 44.8%	Dem Hold
District 18	Miller 25.2%	Schock 74.8%	GOP Hold

KANSAS

District	Democrat	Republican	Status
District 1	Sherow 32.5%	Huelskamp 67.5%	GOP Hold
District 2	Wakefield 38.5%	Jenkins 57.2%	GOP Hold
District 3	Kultala 39.8%	Yoder 60.2%	GOP Hold
District 4	Schuckman 33.2%	Pompeo 66.8%	GOP Hold

MISSOURI

District	Democrat	Republican	Status
District 1	Clay 72.9%	Elder 21.6%	Dem Hold
District 2	Lieber 32.6%	Wagner 64.1%	GOP Hold
District 3	Denton 27.2%	Luetkemeyer 68.4%	GOP Hold
District 4	Irvin 26.4%	Hartzler 68.1%	GOP Hold
District 5	Cleaver 51.6%	Turk 45.0%	Dem Hold
District 6	Hedge 29.5%	Graves 66.6%	GOP Hold
District 7	Evans 28.8%	Long 63.5%	GOP Hold
District 8	Stocker 24.3%	Smith 66.7%	GOP Hold

NEBRASKA

District	Democrat	Republican	Status
District 1	Crawford 31.0%	Fortenberry 69.0%	GOP Hold
District 2	Ashford 48.6%	Terry 46.0%	Dem Pickup
District 3	Sullivan 24.5%	Smith 75.5%	GOP Hold

TENNESSEE

District	Democrat	Republican	Status
District 1	-	Roe 82.8%	GOP Hold
District 2	Scott 22.6%	Duncan 72.5%	GOP Hold
District 3	Headrick 34.6%	Fleischmann 62.4%	GOP Hold
District 4	Sherrell 35.3%	DesJarlais 58.3%	GOP Hold
District 5	Cooper 62.3%	Ries 35.8%	Dem Hold
District 6	Powers 23.0%	Black 71.1%	GOP Hold
District 7	Cramer 26.8%	Blackburn 70.0%	GOP Hold
District 8	Bradley 24.6%	Fincher 70.8%	GOP Hold
District 9	Cohen 75.0%	Bergmann 23.3%	Dem Hold

TEXAS

District	Democrat	Republican	Status
District 1	McKellar 22.5%	Gohmert 77.5%	GOP Hold
District 2	Letsos 29.6%	Poe 68.0%	GOP Hold
District 3	Blair 18.0%	Johnson 82.0%	GOP Hold
District 4	-	Ratcliffe 0.0%	GOP Hold
District 5	Ashby 14.5%	Hensarling 85.5%	GOP Hold
District 6	Cozad 36.4%	Barton 61.2%	GOP Hold
District 7	Cargas 34.5%	Culberson 63.3%	GOP Hold
District 8	Petty 10.7%	Brady 89.3%	GOP Hold
District 9	Green 90.8%	Johnson 9.2%	Dem Hold
District 10	Walter-Cadien 34.1%	McCaul 62.2%	GOP Hold
District 11	Lange 9.7%	Conaway 90.3%	GOP Hold
District 12	Greene 26.3%	Granger 71.3%	GOP Hold
District 13	Minter 12.8%	Thornberry 84.3%	GOP Hold
District 14	Brown 36.1%	Weber 61.8%	GOP Hold
District 15	Hinojosa 54.2%	Zamora 43.1%	Dem Hold
District 16	O'Rourke 67.5%	Roen 29.2%	Dem Hold
District 17	Haynes 32.4%	Flores 64.6%	GOP Hold
District 18	Jackson Lee 71.8%	Seibert 24.8%	Dem Hold
District 19	Marchbanks 18.4%	Neugebauer 77.2%	GOP Hold

District 20	Castro 75.7%	Blunt 24.3%	Dem Hold
District 21	Diaz 14.7%	Smith 71.8%	GOP Hold
District 22	Briscoe 31.6%	Olson 66.6%	GOP Hold
District 23	Gallego 47.7%	Hurd 49.8%	GOP Pickup
District 24	McGehearty 32.3%	Marchant 65.1%	GOP Hold
District 25	Montoya 36.2%	Williams 60.2%	GOP Hold
District 26	Boler 17.3%	Burgess 82.7%	GOP Hold
District 27	Reed 33.7%	Farenthold 63.6%	GOP Hold
District 28	Cuellar 82.1%	Aikens 13.3%	Dem Hold
District 29	Green 89.5%	Stanczak 10.5%	Dem Hold
District 30	Johnson 87.9%	Koch 6.8%	Dem Hold
District 31	Minor 32.0%	Carter 64.1%	GOP Hold
District 32	Perez 35.4%	Sessions 61.8%	GOP Hold
District 33	Veasey 86.5%	Reeves 13.5%	Dem Hold
District 34	Vela 59.6%	Smith 38.4%	Dem Hold
District 35	Doggett 62.5%	Narvaiz 33.3%	Dem Hold
District 36	Cole 22.0%	Babin 76.0%	GOP Hold

