

The Votes Are In – Now What?

**What the November Elections Mean for Your
Business in 2019**

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At-a-Glance

- Over 450 professionals and consultants
- Legal services including:
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 - Government & Regulatory
 - Intellectual Property
 - Litigation
- Industry-focused:
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 - Consumer Products
 - Energy, Environment & Natural Resources
 - Entertainment & Digital Media
 - Financial Services
 - Healthcare and Pharmaceutical
 - Real Estate
 - Technology



Jack Quinn

Partner, Government and Regulatory
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Bar Admission: D.C.

Jack Quinn is a partner in both the government and litigation practices and serves as chair of the federal regulatory and government practice. Clients routinely turn to Jack for help addressing the challenges—and opportunities—at the intersection of law, public policy, politics and communications.

Jack served as counsel to the President of the United States. In that role, he counseled President Clinton and senior White House staff on the legal aspects of policy and legislation; investigations; executive actions and appointments; judicial nominations; financial disclosures and conflicts of interest; and certain national security issues that require legal advice. Prior to this, Jack was chief of staff and counselor to Vice President Al Gore. Jack also practiced law at an Am Law 100 firm for more than 20 years.



Kathleen Brown

Partner, Government and Regulatory
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Bar Admissions: CA, NY (inactive)

A former California state treasurer with nearly two decades of experience as a senior bank executive, Kathleen Brown concentrates on business counseling and government and regulatory affairs in connection with the healthcare, energy, real estate and financial services industries.

Prior to joining Manatt, Kathleen served in senior executive positions at Goldman Sachs Inc. and Bank of America. In these roles, Kathleen participated in over \$4.2 billion of water and power bond financings and counseled municipal utilities in California in their efforts to meet the state's renewable energy standards, and helped healthcare institutions navigate the challenges and opportunities presented by healthcare reform.



Gregg Nunziata

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Bar Admissions: PA, D.C. (pending)

Gregg Nunziata advises clients on matters at the intersection of law, business, public policy and strategic communications. He counsels businesses on how they may potentially be affected by shifts in public policy, and guides clients on legislative issues and in response to government inquiries.

Gregg served as general counsel and a senior domestic policy advisor to Sen. Marco Rubio, including during the senator's presidential and re-election campaigns. Gregg previously held senior Republican counsel positions on Capitol Hill, handling a range of domestic policy issues. A former chief nominations counsel to the U.S. Senate Committee on the Judiciary, Gregg played a key strategic role in the confirmation proceedings for scores of federal judges and executive branch appointees.



Richard Costigan

Senior Director of State and Government Affairs, Government and Regulatory
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Bar Admissions: FL, GA

A recognized political and policy strategist and advocate in California for more than two decades, Richard Costigan brings unique insight and practical experience from the public and private sectors. Richard has worked extensively in the executive and legislative branches of California state government. He served as legislative affairs secretary and deputy chief of staff to Governor Arnold Schwarzenegger, chief of staff to two minority leaders in the California State Assembly, caucus policy director, and budget and appropriations consultant.

Having been involved in some of the most important policy and regulatory issues of the past 20 years, he advises CEOs and senior executives on the intricacies of California’s laws. He also counsels political leaders and candidates.



Delilah Clay

Legislative & Regulatory Advisor, Government and Regulatory
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Bar Admission: IL

Delilah Clay is a legislative advisor in the firm’s Sacramento office. She advocates for clients across many industries, including energy, biotech, healthcare, insurance, local government, manufacturing and technology. Delilah served as a Senate Fellow and worked with the California Medical Association on legislative and regulatory policy issues.

Prior to joining Manatt, Delilah was a labor and employment associate at an international law firm. She represented clients before federal administrative boards, counseled on compliance with federal and state employment laws, and handled the suite of duties involved in state and federal wage and hour suits. Additionally, while in law school, she served as a judicial extern to federal Magistrate Judge Susan E. Cox.



Che Salinas

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Bar Admission: CA

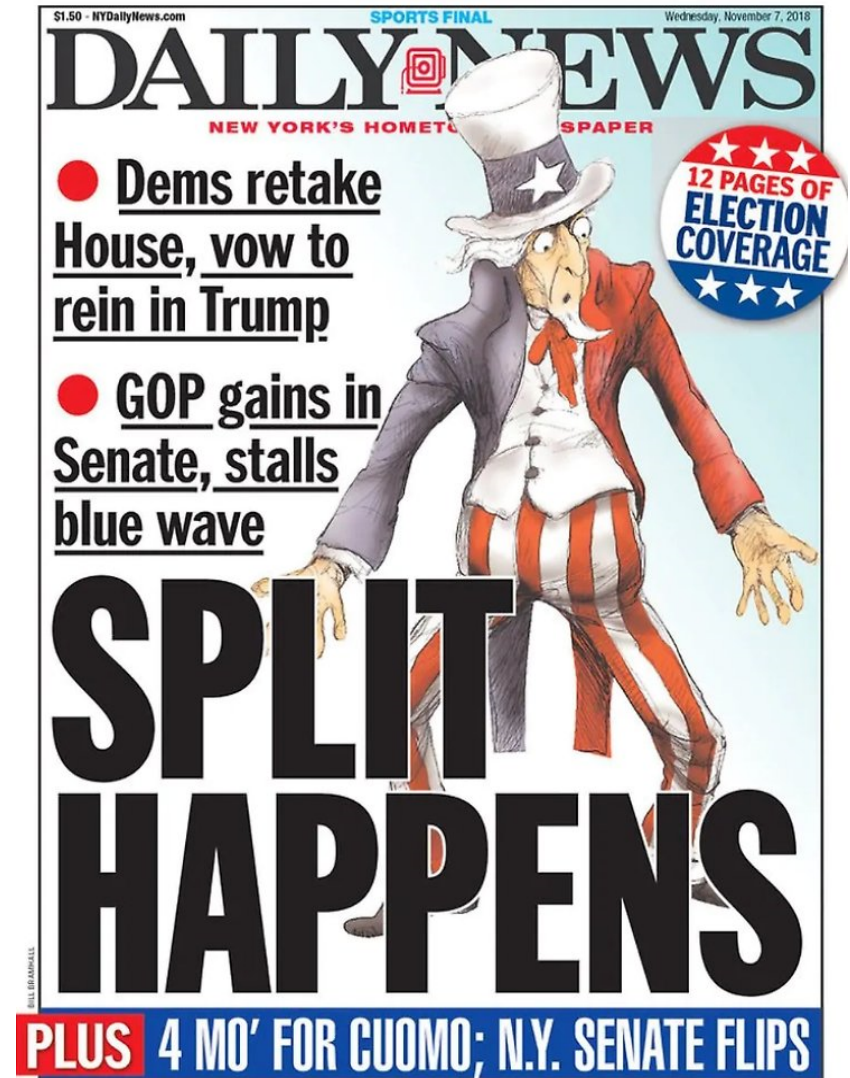
Che Salinas advises clients on legal, legislative, budgetary and political matters across many disciplines, including biotech, energy, healthcare, pharmaceutical manufacturing, transportation, public utilities and taxation. In this capacity, Che appears before the state legislature and numerous state agencies and departments, representing clients by advancing and protecting their objectives. He also works with an array of business industries and trade associations on these efforts.

Prior to joining Manatt, Che worked for the California State Senate in the office of Ed Hernandez, O.D. Che has substantial experience in public policy development and budget/fiscal analysis. He previously served as staff counsel to Senate Majority Leader Dean Florez and as a consultant for the Senate Judiciary Committee, and provided counsel to the leader of the California State Senate, President Pro Tem Don Perata.

- Welcome
- **National Results**
 - Democrats Take Over the House
 - Republicans Hold Onto the Senate
 - Governors, AGs and State Legislatures Roundup
- 2018 California Election Summary & 2019 Expectations
 - Blue Wave Trickles Down
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 - 2018 and 2019 California State Senate and Assembly
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 - 2019 and 2020 Major Issues
 - California’s State Budget and Defining a Governorship
- Q&A/Wrap-up

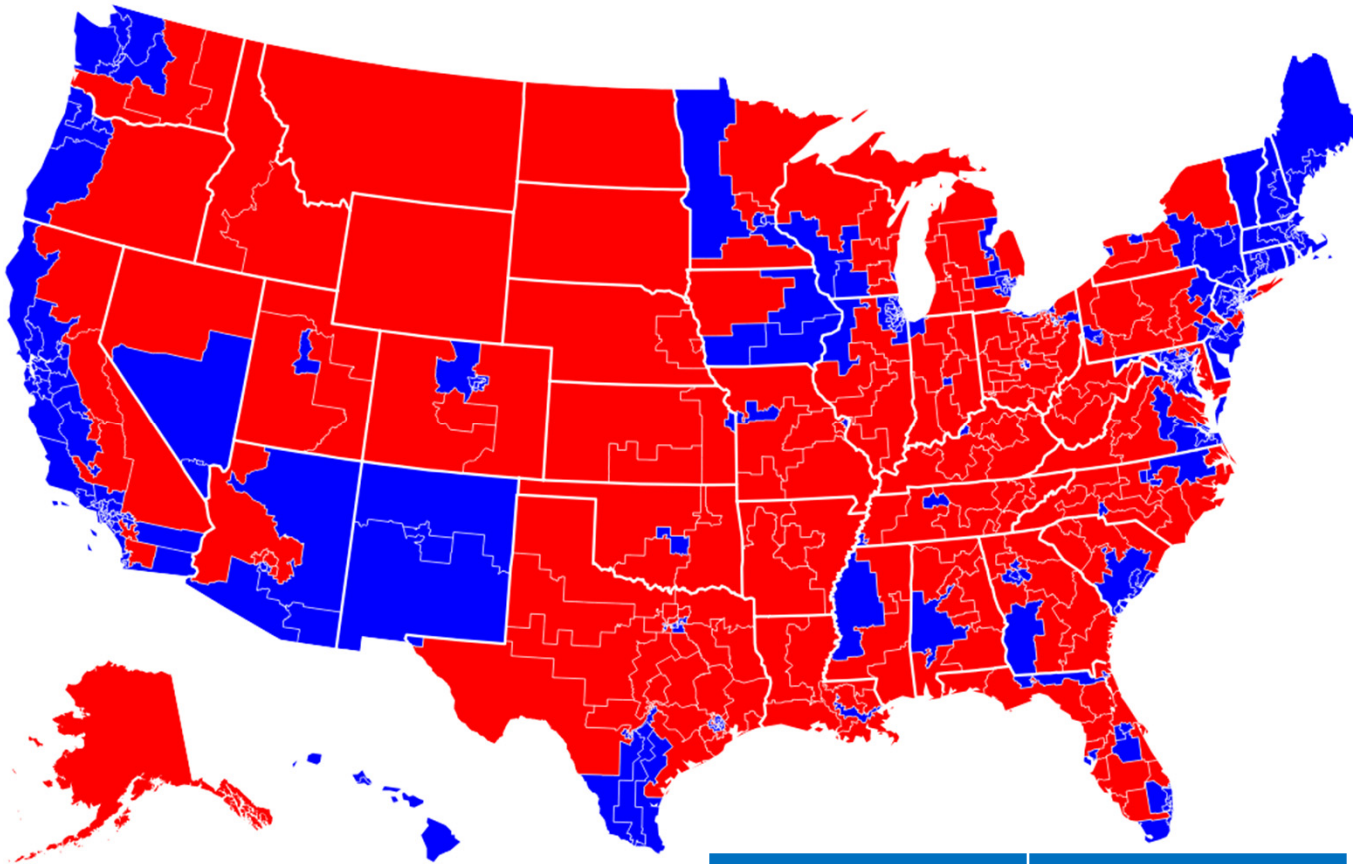
Results Overview

- No huge surprises, but what does it mean?
- State-by-state results matched closely with President Trump’s approval and disapproval ratings
- Largest midterm election turnout in more than a century, as about 116 million voters went to the polls—that’s 49.4% compared with 36.7% in 2014
- Record number of women ran for House and Senate seats (529 total: 476 in the House and 53 in the Senate)
 - 102 women were elected to the House, 14 to the Senate, and 9 to be governors
 - 47 women of color were elected, including the first 2 Native Americans and the first 2 Muslim women to be elected to Congress



House Results – Democrats Take Over

- The Democratic Party picks up 40 seats and won 8 percent more votes than Republicans nationally



Democratic	235
Republican	200

- Democrats made sizable gains in the suburbs, while rural areas remain strongly Republican
- Areas of concern for President Trump in the Midwest: Pennsylvania, Michigan and Wisconsin
- For the first time, administration will have to deal with an antagonistic House: gridlock or opportunity?

Competitive House Races

Likely Dem

AZ-01 O'Halleran
 CA-07 Bera
 CA-16 Costa
 FL-07 Murphy
 MN-07 Peterson
 NH-01 Open
NJ-02 Open
 NJ-05 Gottheimer
PA-05 Vacant
PA-06 Open
 PA-08 Cartwright
PA-17 Rothfus

Not yet called*

Democratic Pickup

Republican Pickup

No Change

Lean Dem

AZ-02 Open
CA-49 Open
CO-06 Coffman
FL-27 Open
IA-01 Blum
IL-06 Roskam
KS-03 Yoder
MI-11 Open
MN-02 Lewis
MN-03 Paulsen
NJ-11 Open
 NV-03 Open
 NV-04 Open
PA-07 Vacant
VA-10 Comstock

Toss-up

CA-10 Denham
CA-25 Knight
CA-39 Open
CA-45 Walters
CA-48 Rohrabacher
 FL-15 Open
FL-26 Curbelo
IA-03 Young
IL-14 Hultgren
 KS-02 Open
 KY-06 Barr
ME-02 Poliquin
MI-08 Bishop
MN-01 Open
 *NC-09 Open
 NC-13 Budd
NJ-03 MacArthur
NJ-07 Lance
NM-02 Open
NY-19 Faso
NY-22 Tenney
 OH-12 Balderson
 PA-01 Fitzpatrick
TX-07 Culberson
TX-32 Sessions
UT-04 Love
VA-02 Taylor
VA-07 Brat
WA-08 Open

Lean Rep

AK-AL Young
 CA-50 Hunter
 FL-06 Open
 FL-16 Buchanan
 FL-18 Mast
GA-06 Handel
 *GA-07 Woodall
 IA-04 King
 IL-12 Bost
 IL-13 Davis
MN-08 Open
 MO-02 Wagner
 MT-AL Gianforte
 NC-02 Holding
 NE-02 Bacon
NY-11 Donovan
 NY-24 Katko
 NY-27 Collins
 OH-01 Chabot
 PA-10 Perry
 PA-16 Kelly
SC-01 Open
 TX-22 Olson
 TX-23 Hurd
 VA-05 Open
 WA-03 Herrera Beutler
 WA-05 McMorris Rodgers
 WI-01 Open
 WV-03 Open

Likely Rep

AR-02 Hill
 AZ-06 Schweikert
 AZ-08 Lesko
 CA-01 LaMalfa
 CA-04 McClintock
CA-21 Valadao
 CA-22 Nunes
 CO-03 Tipton
 FL-25 Diaz-Balart
 IN-02 Walorski
 MI-01 Bergman
 MI-03 Amash
 MI-06 Upton
 MI-07 Walberg
 NC-08 Hudson
 NY-01 Zeldin
 NY-02 King
 NY-21 Stefanik
 NY-23 Reed
 OH-10 Turner
 OH-14 Joyce
OK-05 Russell
PA-14 Open
 TX-02 Open
 TX-21 Open
 TX-24 Marchant
 TX-31 Carter
 WI-06 Grothman

Race Ratings From Cook Political Report

1. Pelosi easily overcomes the obstacles to her leadership
2. What might the legislative agenda consist of?
 - Infrastructure bill
 - Immigration
 - Criminal justice reform
 - Drug pricing
3. Messaging bill agenda
4. Oversight agenda:
 - House Democratic investigations will be targeted at:
 - The DOJ/AG, President Trump’s businesses, and perhaps the President himself
 - Industries and companies that have been the beneficiaries of controversial initiatives on behalf of the Trump administration
 - House Oversight and Government Reform, Judiciary, and Ways and Means will lead the investigations trend, but nearly every other committee could be involved as well
5. Appropriations

House Results – Likely New House Committee Chairs

- **Eddie Bernice Johnson** (Texas) Sci., Space & Tech.
- **Zoe Lofgren** (Calif.) House Admin.
- **Nita Lowey** (N.Y.) Appropriations
- **Carolyn Maloney** (N.Y.) Joint Economic
- **Nydia Velázquez** (N.Y.) Small Business
- **Maxine Waters** (Calif.) Financial Services
- **Elijah Cummings** (Md.) Oversight & Government Reform
- **Peter DeFazio** (Ore.) Transport. & Infra.
- **Ted Deutch** (Fla.) Ethics
- **Eliot Engel** (N.Y.) Foreign Affairs
- **Raúl Grijalva** (Ariz.) Natural Resources
- **Jim McGovern** (Mass.) Rules
- **Jerrold Nadler** (N.Y.) Judiciary
- **Richard Neal** (Mass.) Ways & Means
- **Frank Pallone** (N.J.) Energy & Comm.
- **Collin Peterson** (Minn.) Agriculture
- **Adam Schiff** (Calif.) Intelligence
- **Bobby Scott** (Va.) Edu. & Workforce
- **Adam Smith** (Wash.) Armed Services
- **Mark Takano** (Calif.) Veterans Affairs
- **Bennie Thompson** (Miss.) Homeland Security
- **John Yarmuth** (Ky.) Budget

Rep. Waters is widely seen as a “foe” to Wall Street and has called for increased regulations on big banks.

Cummings will lead the way in investigations of the White House. During 115th, he has requested at least 64 subpoenas that the majority rejected.

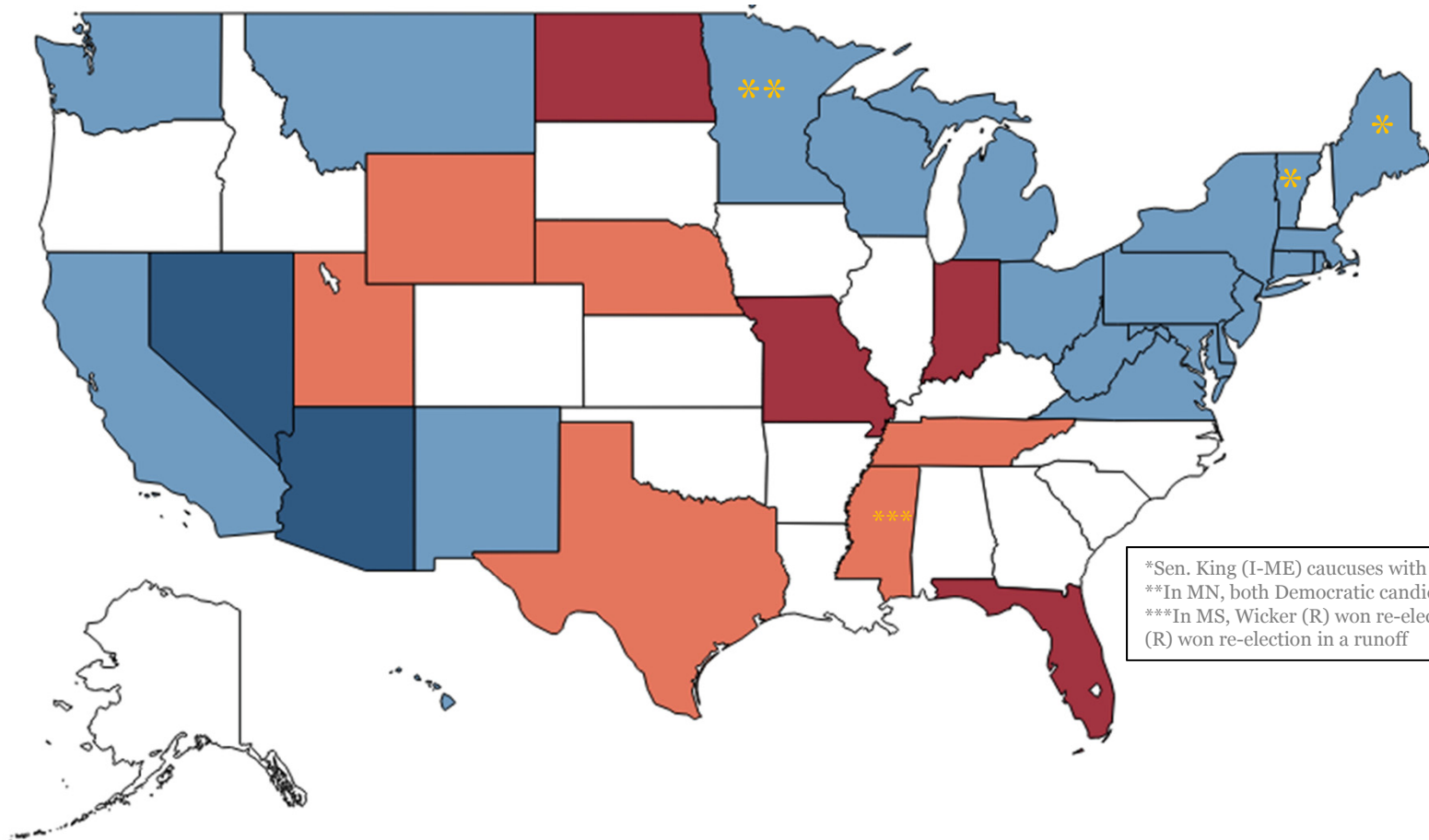
Democrats ran hard against the Republican tax bill. Will they work to put their own plan on the floor despite knowing that the Senate won't act?

Nadler has indicated that his committee will investigate family separation, gun safety, environmental laws and the DOJ's failure to defend the Affordable Care Act.

Senate Results – Republicans Hold

- Favorable results for the Republicans
- 10 states that President Trump won
- An expanded majority and what that means

■ Democratic gain (2) ■ Democratic hold (22) ■ Republican gain (4) ■ Republican hold (7)



Florida (Recount)

Rick Scott



Vote Share: 50.1%

Bill Nelson



Vote Share: 49.9%

Indiana

Mike Braun



Vote Share: 51%

Joe Donnelly



Vote Share: 45%

Missouri

Josh Hawley



Vote Share: 51.5%

Claire McCaskill



Vote Share: 45.5%

North Dakota

Kevin Cramer







Vote Share: 55.4%

Heidi Heitkamp



Vote Share: 44.6%

Nevada	
Jacky Rosen	Dean Heller
	
Vote Share: 50.4%	Vote Share: 45.4%

Arizona	
Kyrsten Sinema	Martha McSally
	
Vote Share: 49.7%	Vote Share: 48.0%

- Leadership changes
 - Beyond McConnell, the whole Republican leadership team must step aside due to GOP Conference-adopted term limits
- New committee leadership
 - Even though the Republicans are retaining control, there will be significant changes in leadership
- Legislative agenda
 - Judicial confirmations
 - Tariffs (steel, aluminum, China), sanctions on Saudi Arabia, infrastructure, criminal justice reform, drug pricing, immigration
- Weakness in the Great Lakes states: a warning sign for President Trump?
- Oversight agenda

- There were gubernatorial elections in 36 states formerly held by 26 Republicans, 9 Democrats and 1 Independent. Democrats picked up 7.
- 380 seats flipped across the country. The Democrats lost more than 900 seats in state legislatures during Obama's 8 years in office.
- Democrats flipped state legislative chambers in 7 states.
- Federal implications:
 - Medicaid expansion
 - Drug pricing disclosures
- Redistricting implications post-2020 census.
- Democrats gain a majority of state attorney general offices.

- Ballot initiatives
 - Florida’s voter rights restoration measure
 - 1.5 million people with felony convictions can now cast a ballot
 - California: Gas tax and rent control both fail
 - Cannabis: Utah, Michigan and Missouri vote yes; North Dakota says no
 - Louisiana abolished a Jim Crow relic that permitted criminal convictions even if the jury verdict was not unanimous
 - Voting rights advocates score victories in Colorado, Michigan, Maryland, Missouri and Nevada
 - Minimum wage hikes in Arkansas and Missouri

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- Democrats win 2/3 supermajorities in both houses of the legislature
 - Senate: 29 (D) & 11 (R); +3 seats for the Democrats
 - Supermajority is 27
 - Assembly: 60 (D) & 20 (R); +5 seats for the Democrats
 - Supermajority is 54
- Democrats repeat sweep of every statewide constitutional office
- Historic number of women elected to the statehouse
 - 36 women in the Senate and Assembly
 - Now comprise 30% of the legislature
 - 1-in-3 winning candidates were women, a historical high

- Governor

- Gavin Newsom (D)

- Lieutenant Governor

- Eleni Kounalakis (D)

- Attorney General

- Xavier Becerra (D)

- Treasurer

- Fiona Ma (D)

- Secretary of State

- Alex Padilla (D)

- Controller

- Betty Yee (D)

- Insurance Commissioner

- Ricardo Lara (D)

- Superintendent of Public Instruction

- Tony Thurmond

- Board of Equalization

- District 1 – Ted Gaines (R)*

- District 2 – Malia Cohen (D)

- District 3 – Tony Vazquez (D)

- District 4 – Mike Schaefer (D)

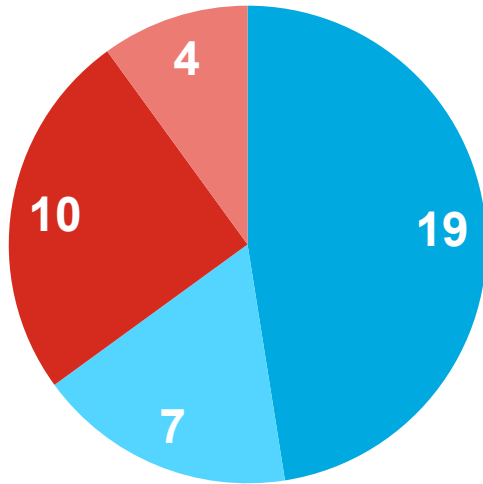
* Gaines is the only Republican to hold a constitutional office

2018 and 2019 California State Senate and Assembly

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2018

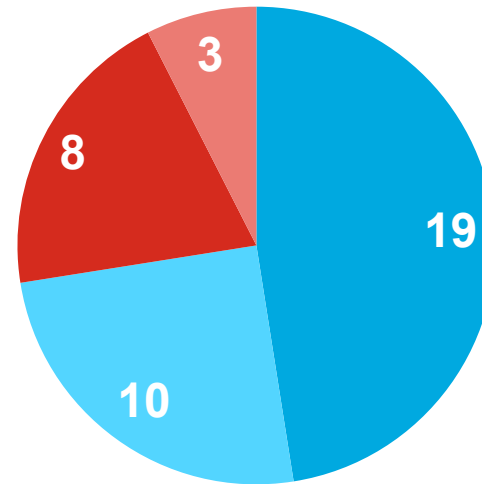
R - 14
D - 26



D-Men D-Women R-Men R-Women

2019

R - 11
D - 29

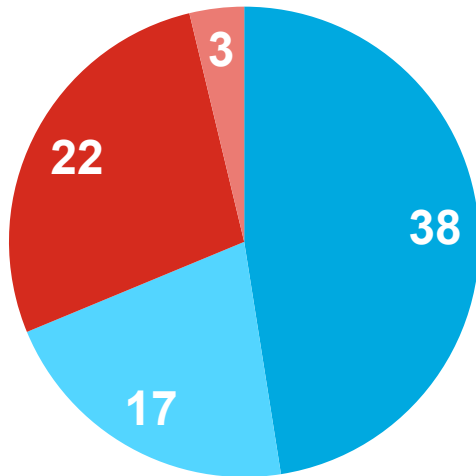


D-Men D-Women R-Men R-Women

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2018

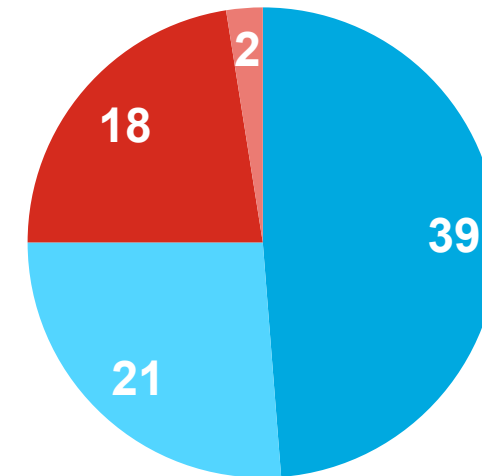
R - 25
D - 55



D-Men D-Women R-Men R-Women

2019

R - 20
D - 60



D-Men D-Women R-Men R-Women

Democrats Have Supermajority (2/3) Control in Both Legislative Houses

- 40-member Senate requires 27 votes, and Democrats have 29 seats
- 80-member Assembly requires 54 votes, and Democrats have 60 seats

A Supermajority Can Rely on One-Party Rule to:

- Raise taxes and implement tax reforms, such as extending taxes to services and reducing the threshold to raise local taxes
- Qualify constitutional amendments for the ballot—current possibilities:
 - Proposition 13 (1978) locked in lower tax rates on all real property, regardless of use; “split roll” would amend Prop 13 to exclude commercial properties from Prop 13
 - Increasing the minimum wage
- Enact urgency legislation
 - Takes effect immediately upon the Governor’s signature and potentially impacts the ability to referendum a legislative issue
- Act to override gubernatorial vetoes including budget line item vetoes

Supermajority May Produce a More Progressive Legislature

- Significant vote cushion in both houses will provide numerous paths for any majority vote legislation
 - Majority bills require 41 votes in the Assembly and 21 votes in the Senate
 - Lifeboating Democrats from tough votes should be much easier
- Increased focus on the role of the “New Democrats”
 - The New Democrats is a loosely based coalition of moderate Democrats
 - The coalition has been successful in years past in influencing policy changes to require amendments to move bills toward the “moderate middle”
 - Recent leadership struggles within the coalition have created uncertainty about the New Democrats’ direction moving forward
 - The size of the Democratic majority in each house gives the Democratic leadership more options to pull together votes without accommodating New Democrats

- Housing: Expect Continued Push by State
 - Helping subsidize new housing starts
 - Combating homelessness
- Wildfires
 - Recovery and disaster preparedness
 - Can demonstrate climate change remains a top priority
- Healthcare: Covered California
 - Expansion of state credits or finding solutions to stabilize markets
 - Can CC help with a move toward universal healthcare?
- Taxes: Split Roll
 - Push for legislative solution or put an initiative on the ballot
 - SALT/“donation” of state taxes?
- Early-childhood education

Budget Surplus Gives Governor Newsom an Early Chance to Define Himself

- Governor Brown established himself as a fiscal hawk early in his term
 - Balanced budgets “without gimmicks” and paying off “wall of debt” were top priorities
 - Democratic legislators expected Democrat Brown to fund their priorities, but he didn't
- Brown's fiscal restraint gained voters' trust, enabling him to pass a tax increase
 - Proposition 30 temporarily increased the sales tax and taxes on high-income earners
 - Brown promised the \$6+ billion raised would put the state's fiscal house in order
- In 2014, just two years after Prop 30, the state had a budget surplus and Brown won re-election easily
- In 2016, voters passed Proposition 55, letting the sales tax increase expire and extending the Prop 30 income tax hike on high-wage earners for 12 years
 - Prop 55 and the economic recovery have resulted in record budget surpluses
 - Still, Governor Brown has mostly set aside the surplus in “rainy day” funds
- Governor Newsom will inherit the budget surplus and face legislative proposals to spend it, begging the question, “What will Newsom do?”

