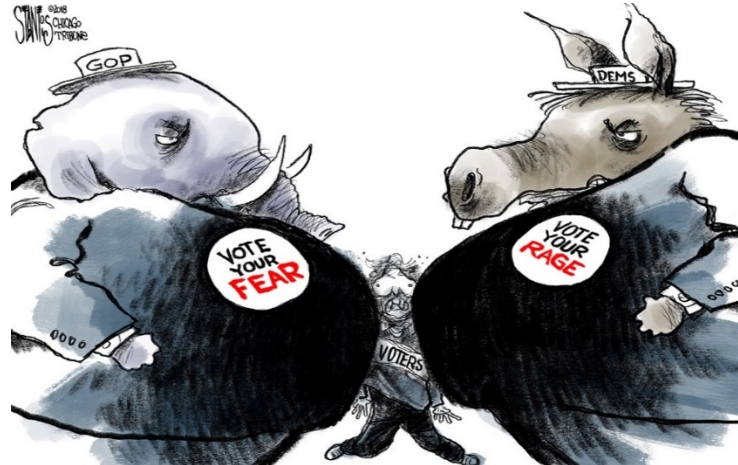




# *A Split Decision in a Divided Nation*



***What the 2018 Midterms Mean for Succeeding in Washington***

# CONTENTS

- I. **SUMMARY: Results, Turnout** *(Slides 3-7)*
- II. **HOW THE DEMS WON THE HOUSE** *(Slides 8-13)*
- III. **HOW THE GOP GREW ITS SENATE MAJORITY** *(Slides 14-19)*
- IV. **OUTCOMES** *(Slides 20-27)*
- V. **NAVIGATING CHANGE IN 2019 WASHINGTON:**  
**7 Recommendations for Business Leaders** *(Slides 28-35)*
- VI. **THE REMAINDER OF 2018** *(Slides 36-38)*

# WHAT JUST HAPPENED?

## Senate GOP

	<u>U.S. HOUSE</u>	<u>U.S. SENATE</u>	<u>GOVs</u>	<u>STATE LEGISLATIVE SEATS</u>
<b>2018</b>	<b>-40</b>	<b>+2</b>	<b>-7</b>	<b>-313*</b>
<b>2014</b>	<b>-12<sup>+</sup></b>	<b>-9</b>	<b>-2</b>	<b>-311<sup>+</sup></b>
<b>2010</b>	<b>-63</b>	<b>-6</b>	<b>-6</b>	<b>-708</b>
<b>2006</b>	<b>-31</b>	<b>-6</b>	<b>-6</b>	<b>-322</b>
<b>1994</b>	<b>-52</b>	<b>-10</b>	<b>-11</b>	<b>-514</b>

\* Unofficial: a few close races not called + Previous wave left far fewer seats to lose

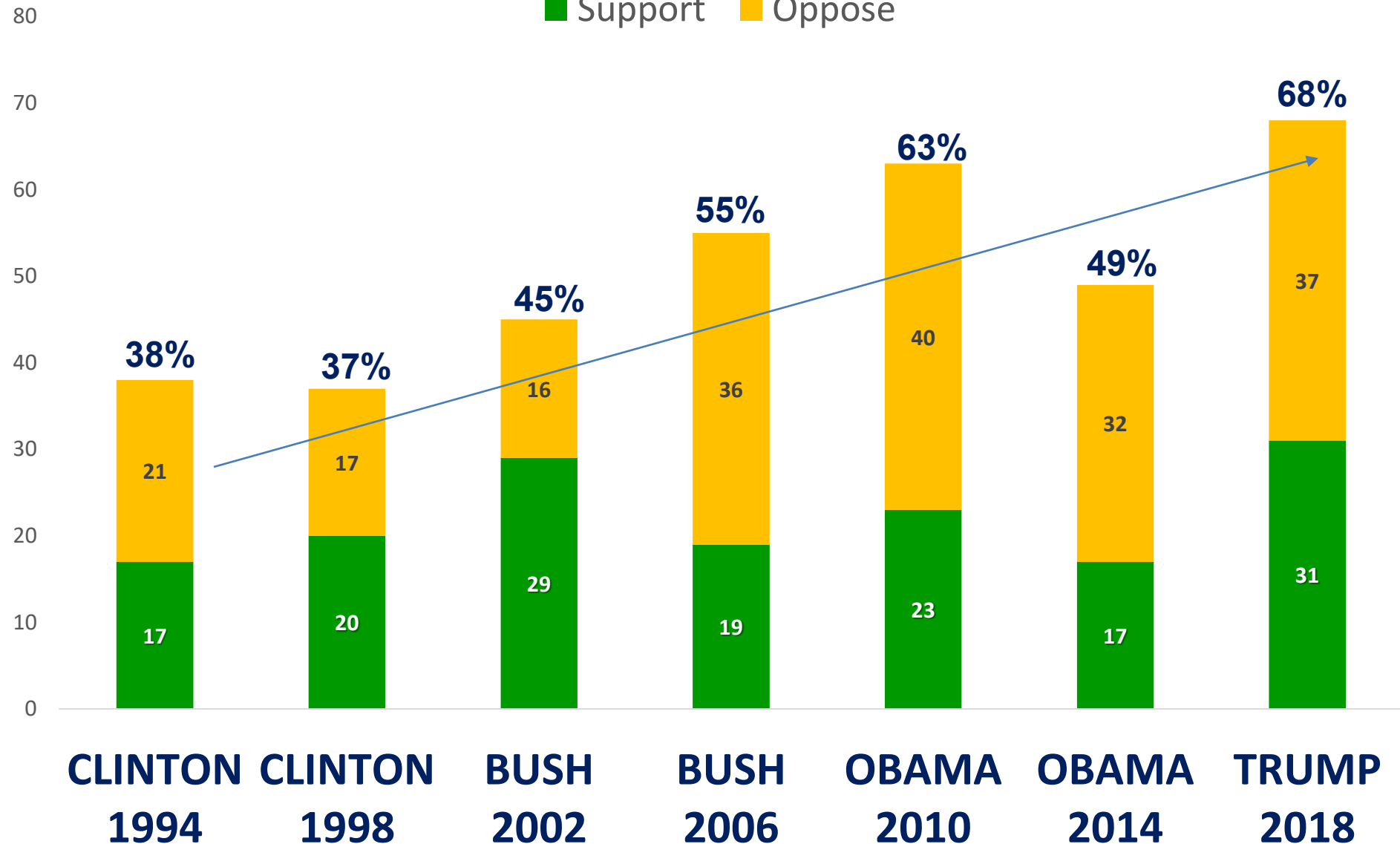


## House GOP

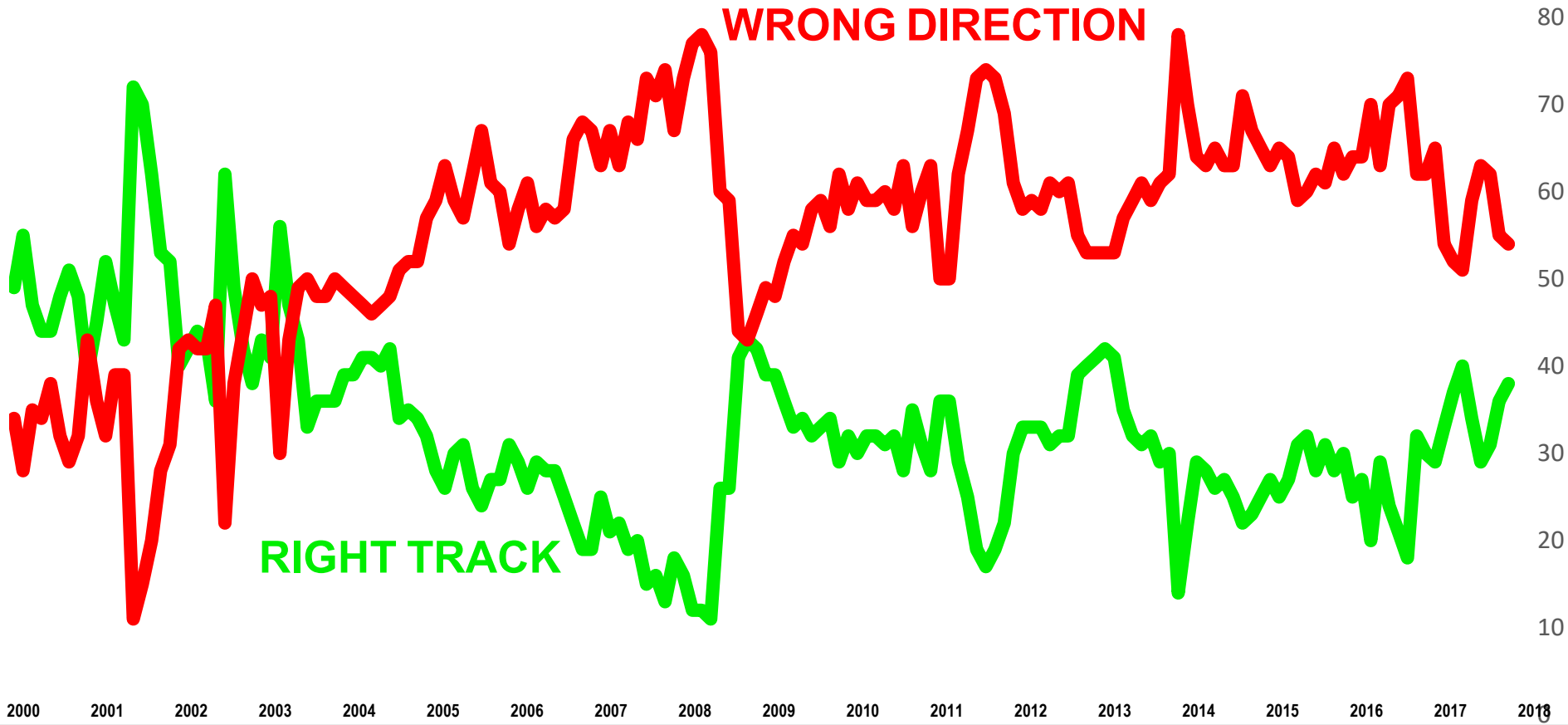
# IT WAS ALL ABOUT TRUMP

**Record 2/3rds Voters Sending a Message about the President**

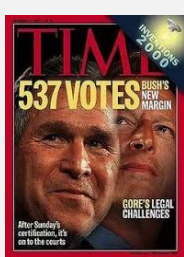
■ Support ■ Oppose



# NOT A SURPRISE: CHANGE IS THE NEW NORMAL



**8 of Last 10 Elections Changed Control of WH, House and/or Senate**



2000



2002



2006



2008



2010



2014



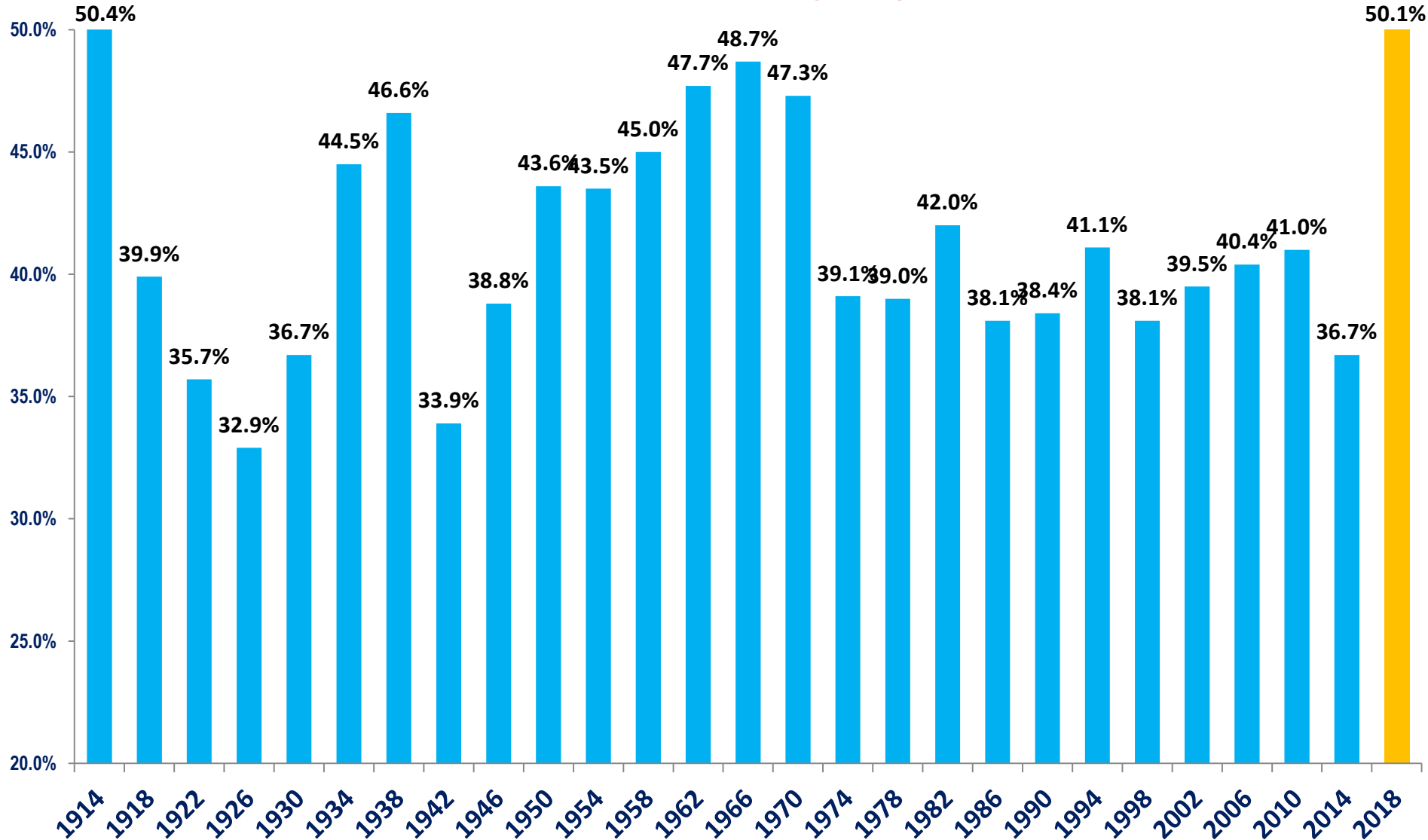
2016



2018

# HIGHEST MIDTERM VOTER PARTICIPATION IN 104 YEARS

## *U.S. Voter Turnout as % of Eligible Voters*

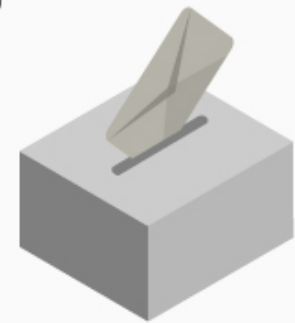
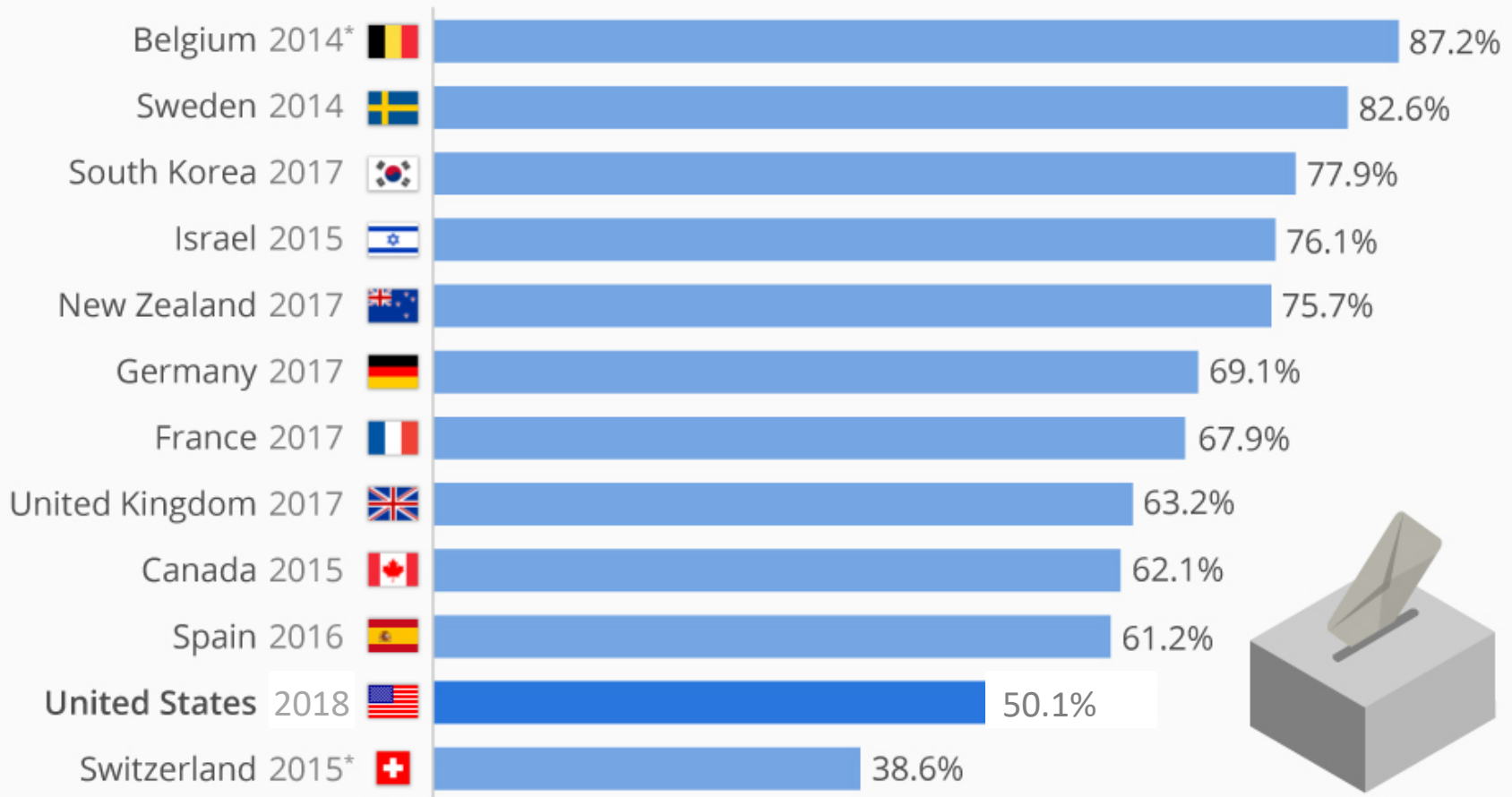




# BUT IS 49% VOTER TURNOUT REALLY “GREAT”?

## How U.S. Voter Turnout Measures Up

Share of voting age population that voted in the most recent national election

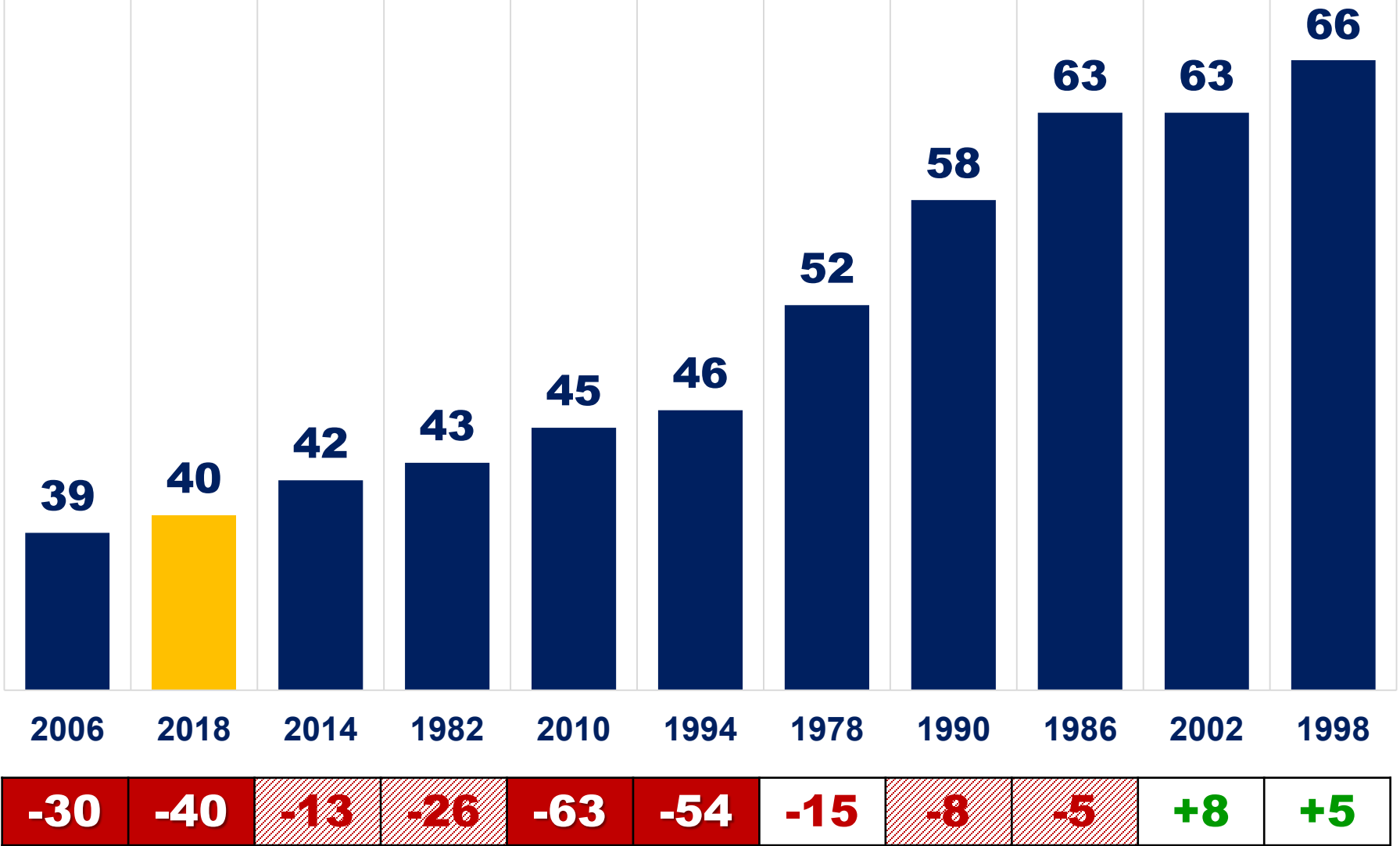


# HOW DEMOCRATS WON THE HOUSE

## *5 Reasons*



# #1. THE MAN: LOW PRESIDENTIAL APPROVAL



■ Chamber lost    
  Already in minority

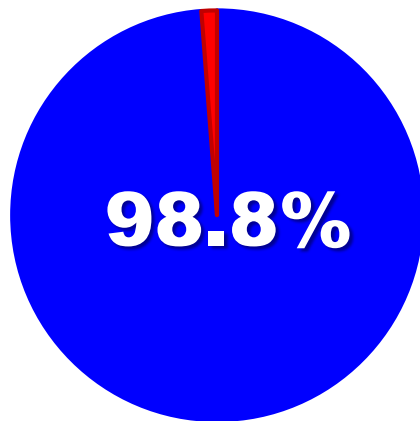
MEHLMAN CASTAGNETTI  
ROSEN & THOMAS

# #2. THE MAP: HOUSE BATTLES WERE IN SUBURBS

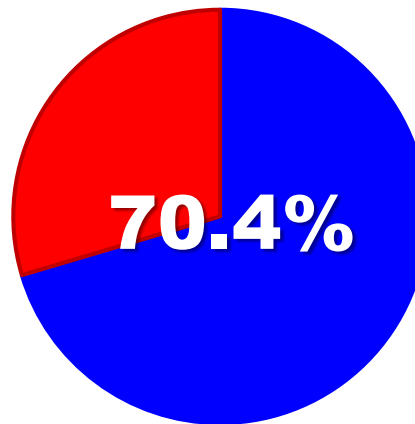
## *Democrats Dominated Urban & Suburban Districts*

Democrats' Winning Percentage by House District Type

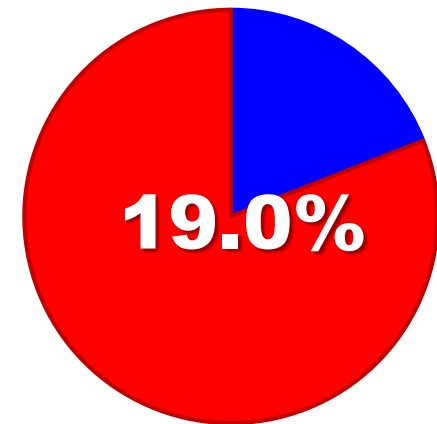
URBAN



SUBURBAN



RURAL



***DEMS WON 22/25 DISTRICTS THAT VOTED FOR CLINTON IN 2016***

~~AZ-2~~   ~~CA-10~~   ~~CA-21~~   ~~CA-25~~   ~~CA-39~~   ~~CA-45~~   ~~CA-48~~   ~~CA-49~~   ~~CO-6~~  
~~FL-26~~   ~~FL-27~~   ~~IL-6~~   ~~KS-3~~   ~~MN-3~~   ~~NJ-7~~   ~~NY-24~~   ~~PA-1~~   ~~PA-5~~  
~~PA-6~~   ~~PA-7~~   ~~TX-7~~   ~~TX-23~~   ~~TX-32~~   ~~VA-10~~   ~~WA-8~~

# #3. THE MESSAGE: D's FOCUSED ON EVERYDAY ISSUES

## Democratic Ads Focused on Health Care, Tax Fairness & Jobs

### Hot Buttons

Health care dominated the airwaves for Democratic candidates during this year's primaries. Republicans chose to air ads emphasizing GOP tax cuts and aligning with President Trump.

Advertising mentions, 2018

Issue	Democrats	Republicans	Total*
Health care	325,434	108,239	435,101
Taxes	83,087	156,056	239,143
Jobs/Unemployment	88,829	85,757	175,603
Budget/Gov't Spending	72,977	90,565	163,542
Immigration	31,561	119,747	151,308
Social Issues	71,220	75,135	146,355
Pro-Trump†	14,342	127,653	141,995
Corruption	73,875	62,331	137,366
Health care: Medicare	80,274	30,205	111,639
Energy/Environment	62,209	30,934	93,143

\*Totals include ad mentions for other parties such as the Green Party, Libertarian Party, etc

†Includes ads pledging to work with Trump

Note: through Sept. 30

Source: Kantar Media/CMAG

# #4. THE MESSAGE (cont.): IT WASN'T THE ECONOMY, STUPID

## *A Great Economy Will Not Guarantee Reelection*

### DESPITE EXTRAORDINARY ECONOMIC DATA

- Lowest Unemployment Rate in 49 Years (3.7%)
- Fastest Wage Growth in 10 years (all incomes, 3.1%)
- Highest Consumer Confidence in 18 Years
- Fastest GDP Growth in 4 Years
- More “Very Satisfied With the Economy” in Nov. 2018 (28%) than in 1998 (27%) or any prior midterm polled

### Most important issue facing the country

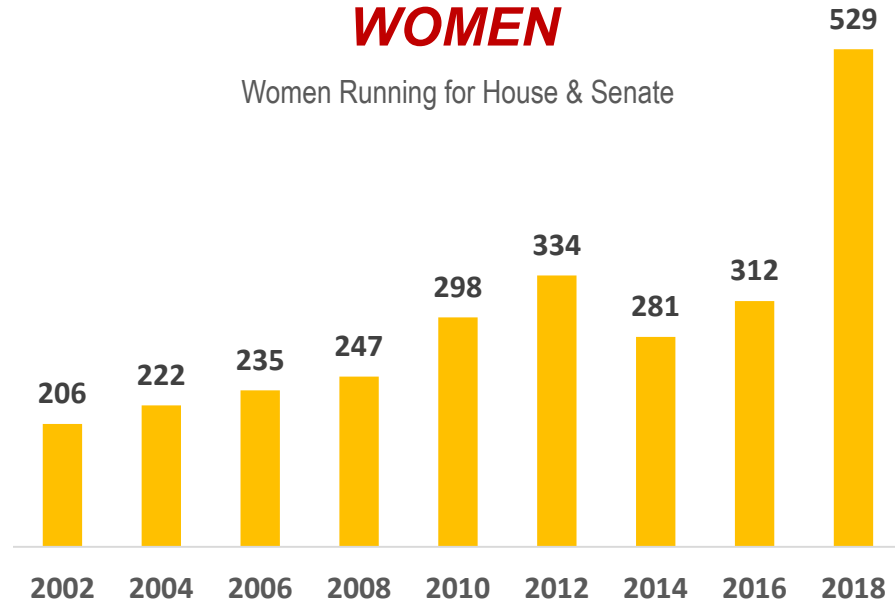
	Democrat	Republican	No Answer
Health care <b>41%</b>	75%	23%	2%
Immigration <b>23%</b>	23%	75%	2%
Economy <b>22%</b>	34%	63%	3%
Gun policy <b>10%</b>	70%	29%	1%

18778 Respondents

# #5. MEGATRENDS: GREAT AWAKENINGS

## WOMEN

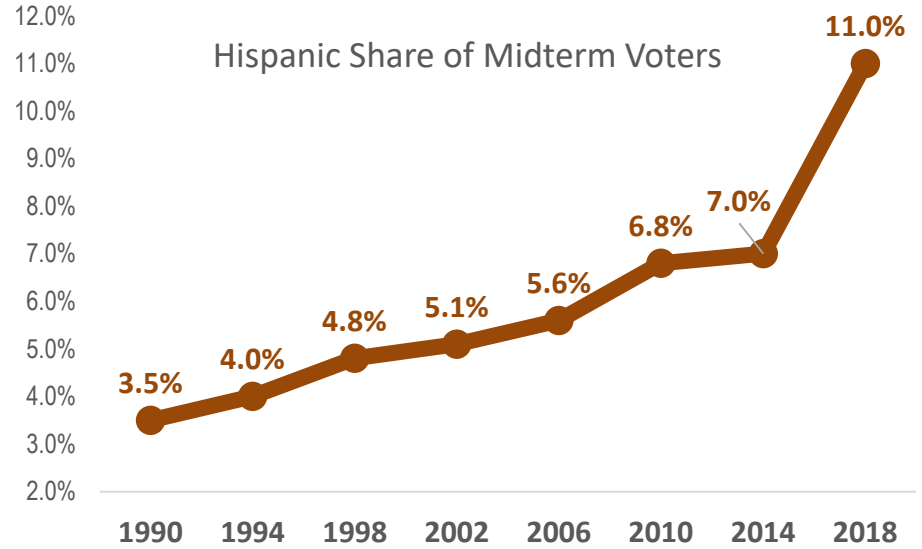
Women Running for House & Senate



Source: Rutgers CWAP

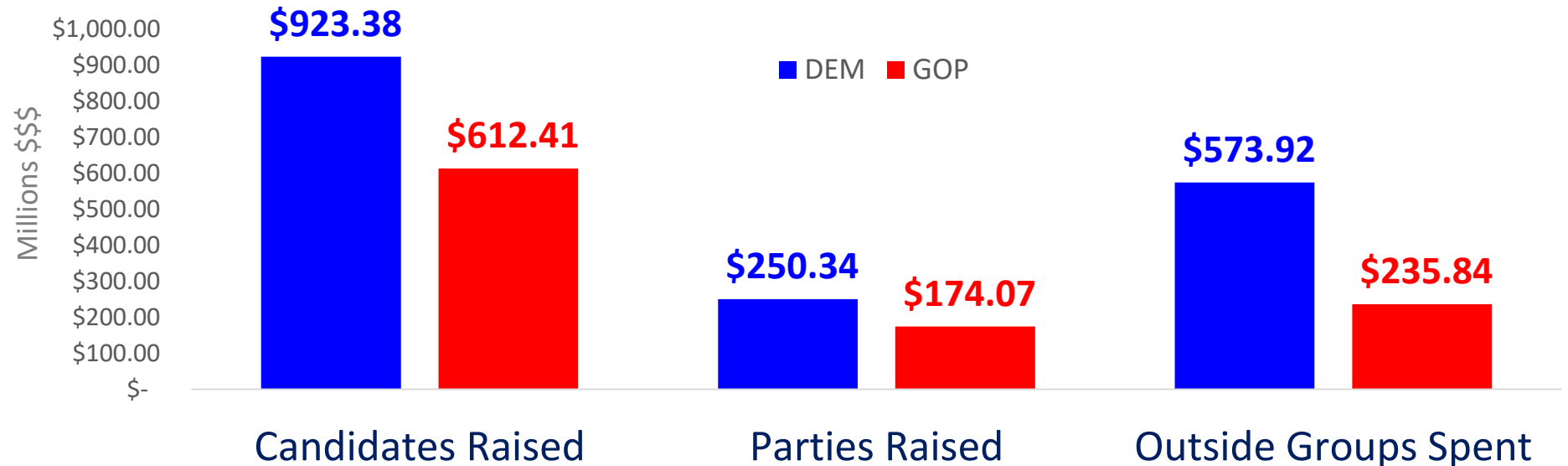
## LATINOS

Hispanic Share of Midterm Voters



Sources: US Elections Project / 2018 CNN Exit poll

## DONORS: Small Dollar Democrats & Liberal Billionaires



Source: Open Secrets (money), as of 11/8

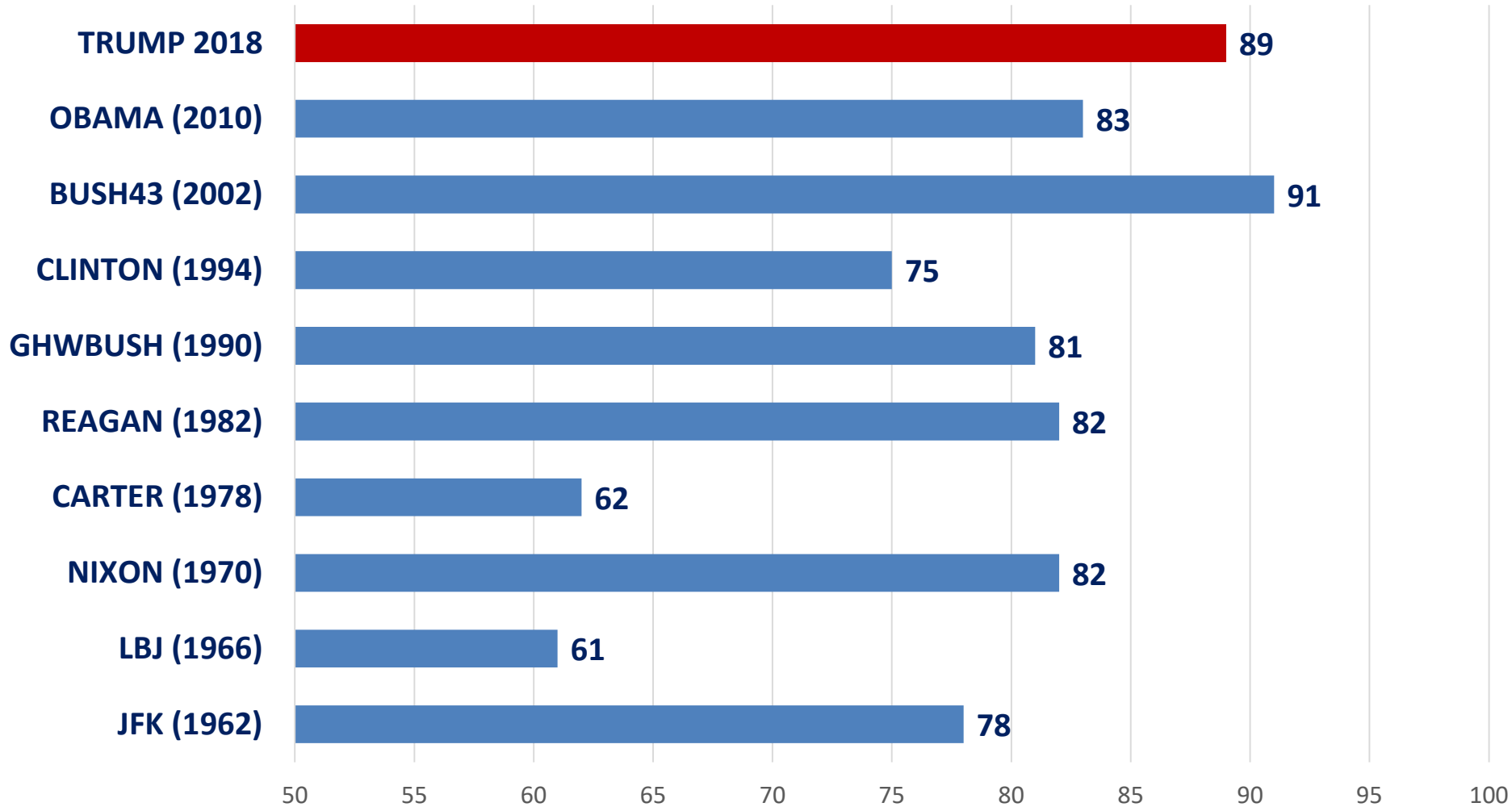
# HOW THE GOP GREW ITS SENATE MAJORITY

## *5 Reasons*

# #1. THE MAN: TRUMP RALLIED GOP BASE

**57% of GOP Voters Say Their Congressional Vote Was to Support Trump**

Presidential Job Approval by Own Party on Eve of 1st Midterm Election (Gallup)

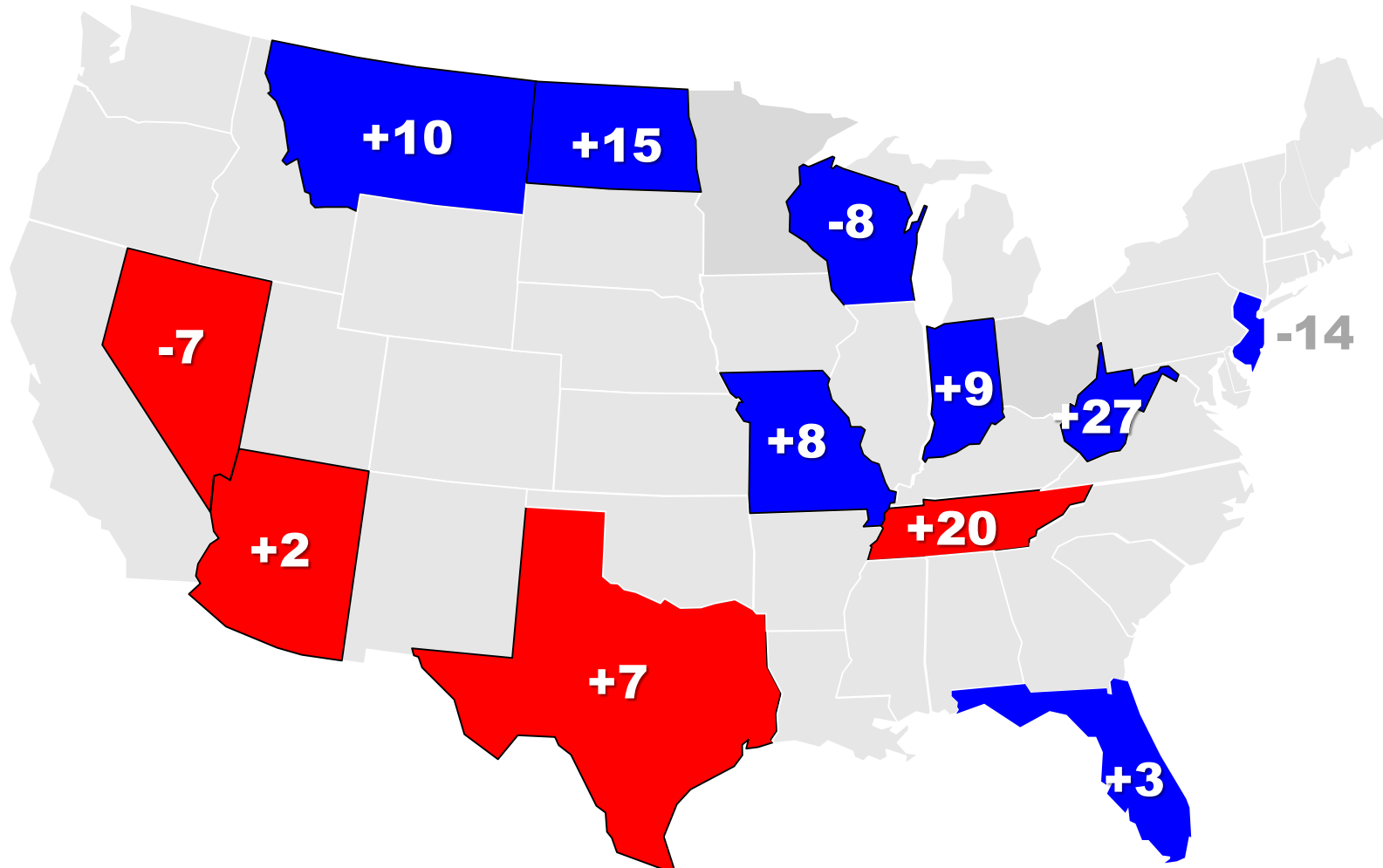




## #2. THE MAP: SENATE BATTLEGROUNDS IN TRUMP COUNTRY

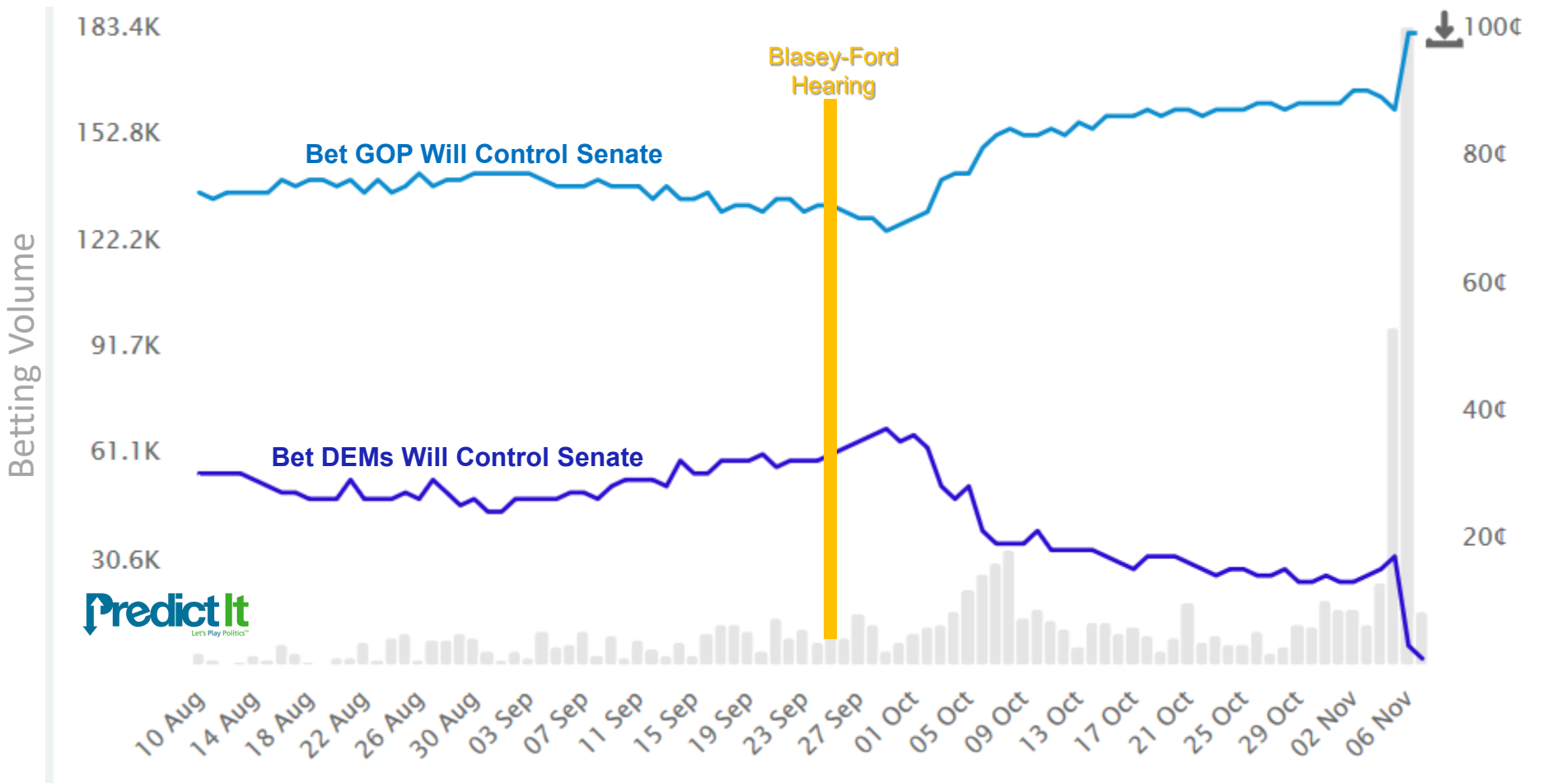
### Of the 12 Top Senate Battlegrounds:

- ❖ Dems were defending 8/12 (color of state below)
- ❖ Trump had won 10/12 in 2016 (all but NJ, NV)
- ❖ Trump net job approval positive in 9/12 (## shown below)

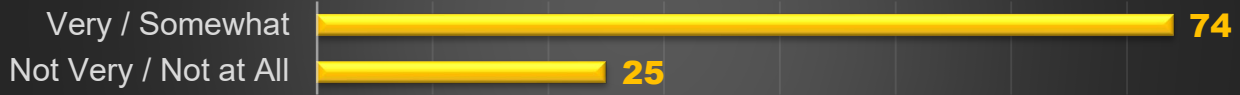


# #3. THE MESSAGE (1): KAVANAUGH FIGHT ENERGIZED GOP

## Betting Markets Saw Hearing on Blasey-Ford Allegations As Inflection



### Importance of Brett Kavanaugh confirmation (to your vote)



# #4. THE MESSAGE (cont.): IMMIGRATION RALLIED BASE

## Trump Closing Argument Railed Against the “Caravan”

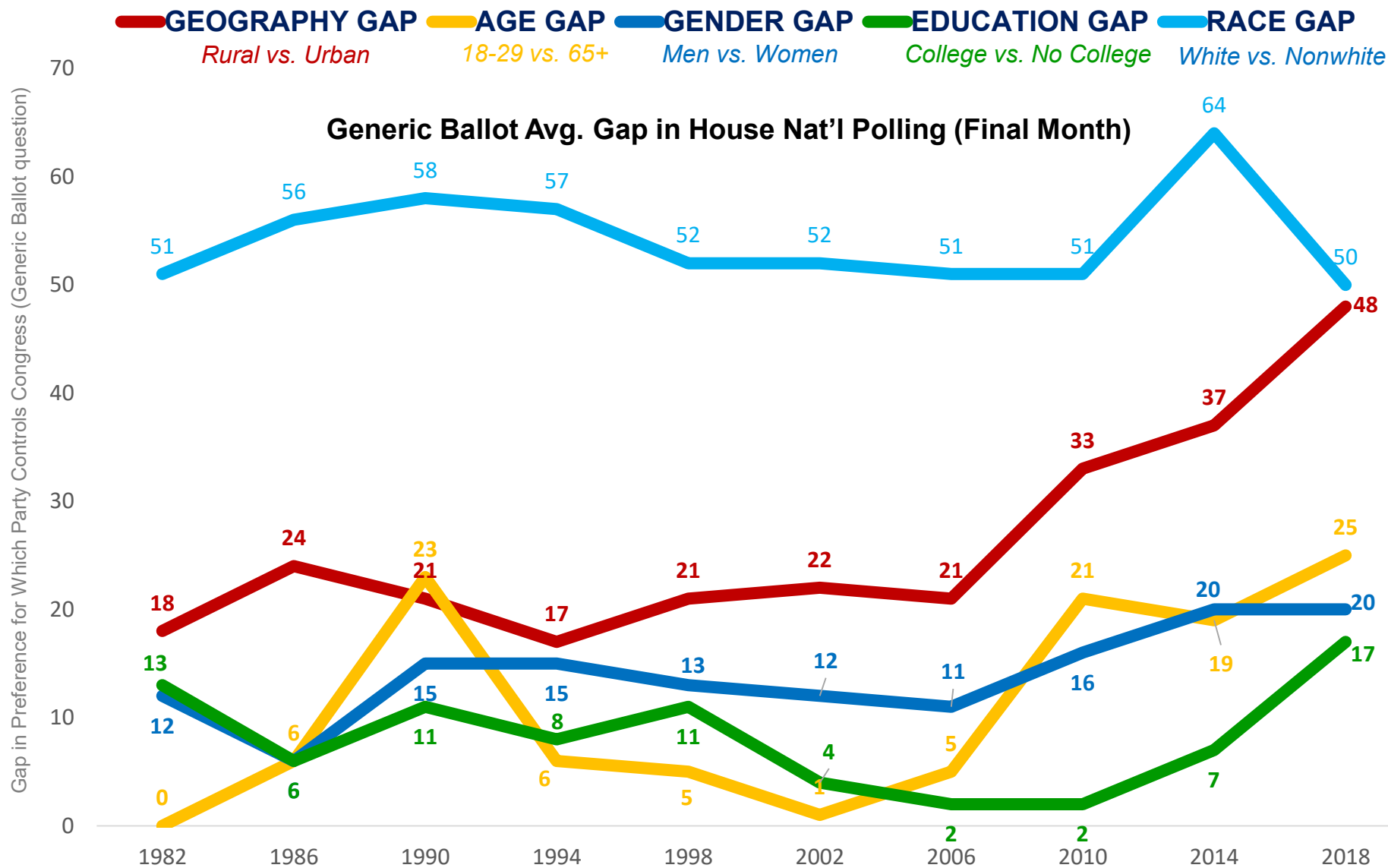


### Are Donald Trump's immigration policies:

	Democrat	Republican	No Answer
Too tough <b>46%</b>	90%	8%	2%
Not tough enough <b>17%</b>	14%	86%	N/A
About right <b>33%</b>	13%	85%	2%
18778 Respondents			

# #5. MEGATRENDS: GEOGRAPHY IS DESTINY

## Geography & Education = Fastest Growing Demographic Divides



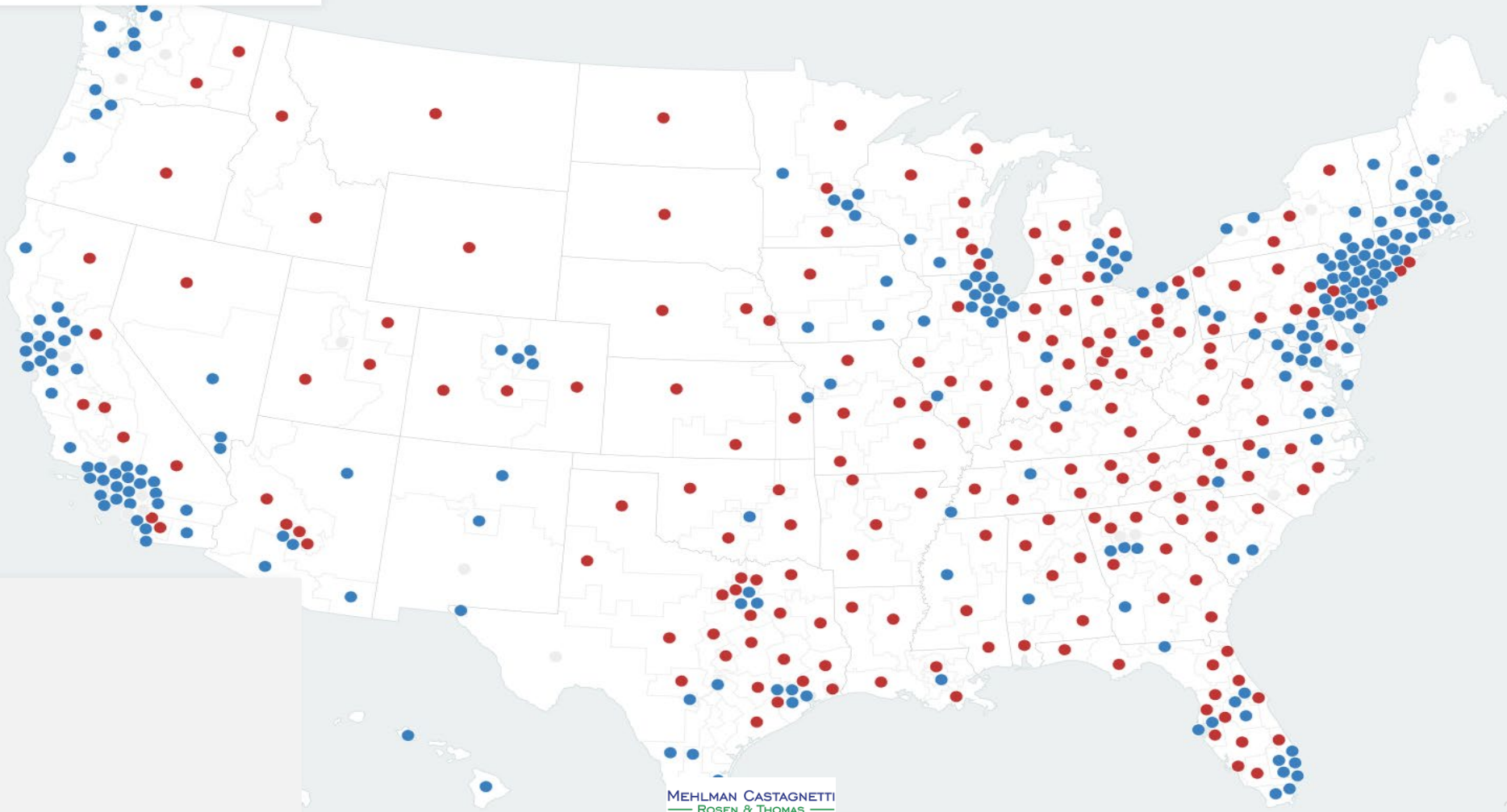
# OUTCOMES

## *6 Impacts of the Election*

# DEMOCRATS NOW DOMINATE THE COASTS

***157 of Democrats' 235 Members Will Come from East or West Coast***

**More Dems from CA alone (46) in the 116<sup>th</sup> Congress than 35 other states combined (AK + AR + ID + MT + NE + NE + ND + SD + WV + WY + KS + OK + UT + AL + DE + DC + KY + LA + ME + MS + VT + HI + IN + MO + NH + NM + RI + TN + IA + SC + NV + NC + WI)**



# THE INDUSTRIAL MIDWEST IS UP FOR GRABS

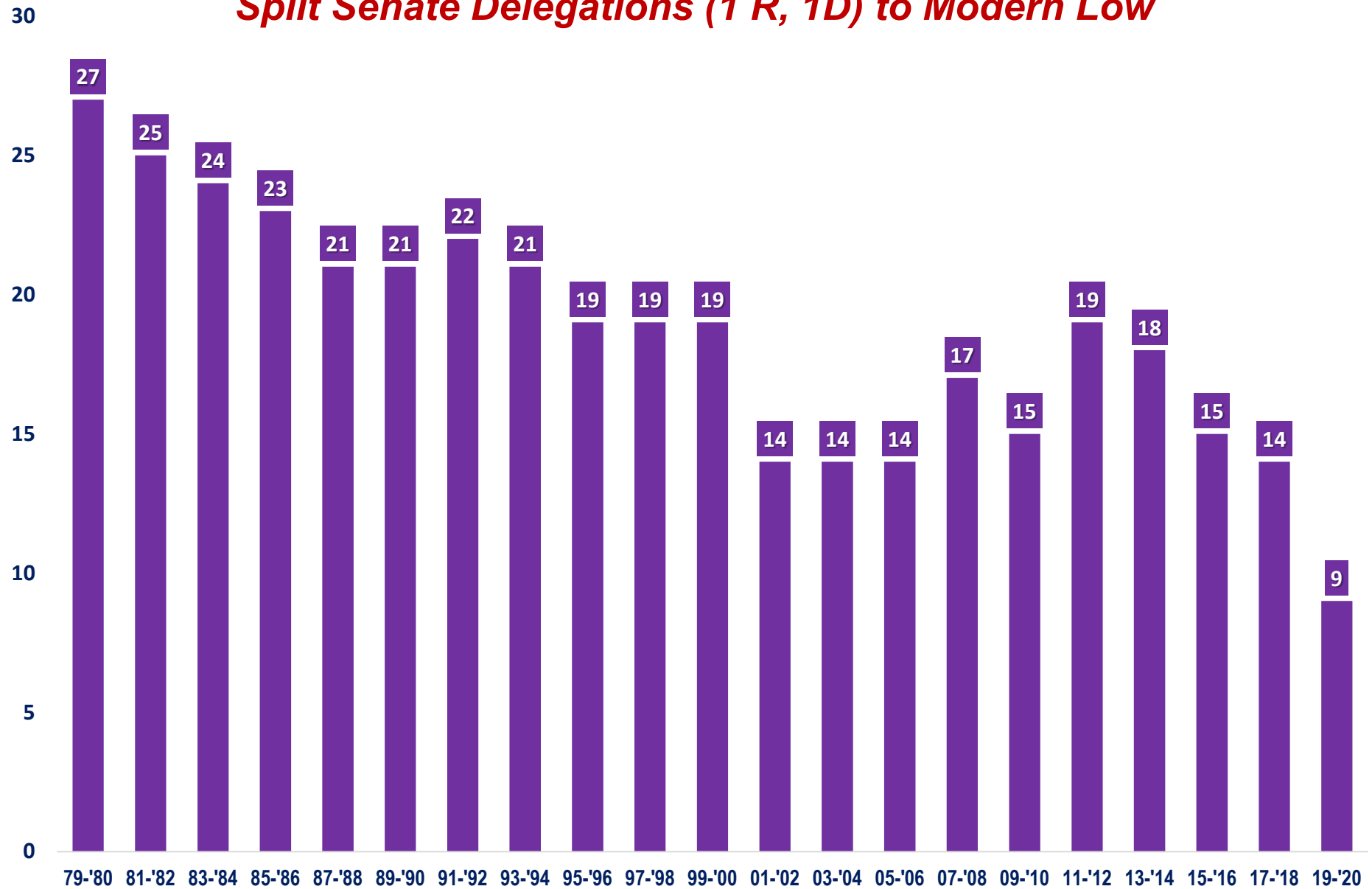
*As Goes the Rust Belt? The Road to 2020 Runs Through...*

BOTH PARTIES LIKELY TO PUSH POLICIES POPULAR IN THESE STATES							
	IA	IL	IN	MI	OH	PA	WI
GOV. 2016	GOP	GOP	GOP	GOP	GOP	DEM	GOP
GOV. 2018	GOP	DEM	GOP	DEM	GOP	DEM	DEM
SENATE 2019-20	2 R	2 D	2 R	2 D	1D / 1R	1D / 1R	1D / 1R
WH 2012	DEM	DEM	GOP	DEM	DEM	DEM	DEM
WH 2016	GOP	DEM	GOP	GOP	GOP	GOP	GOP



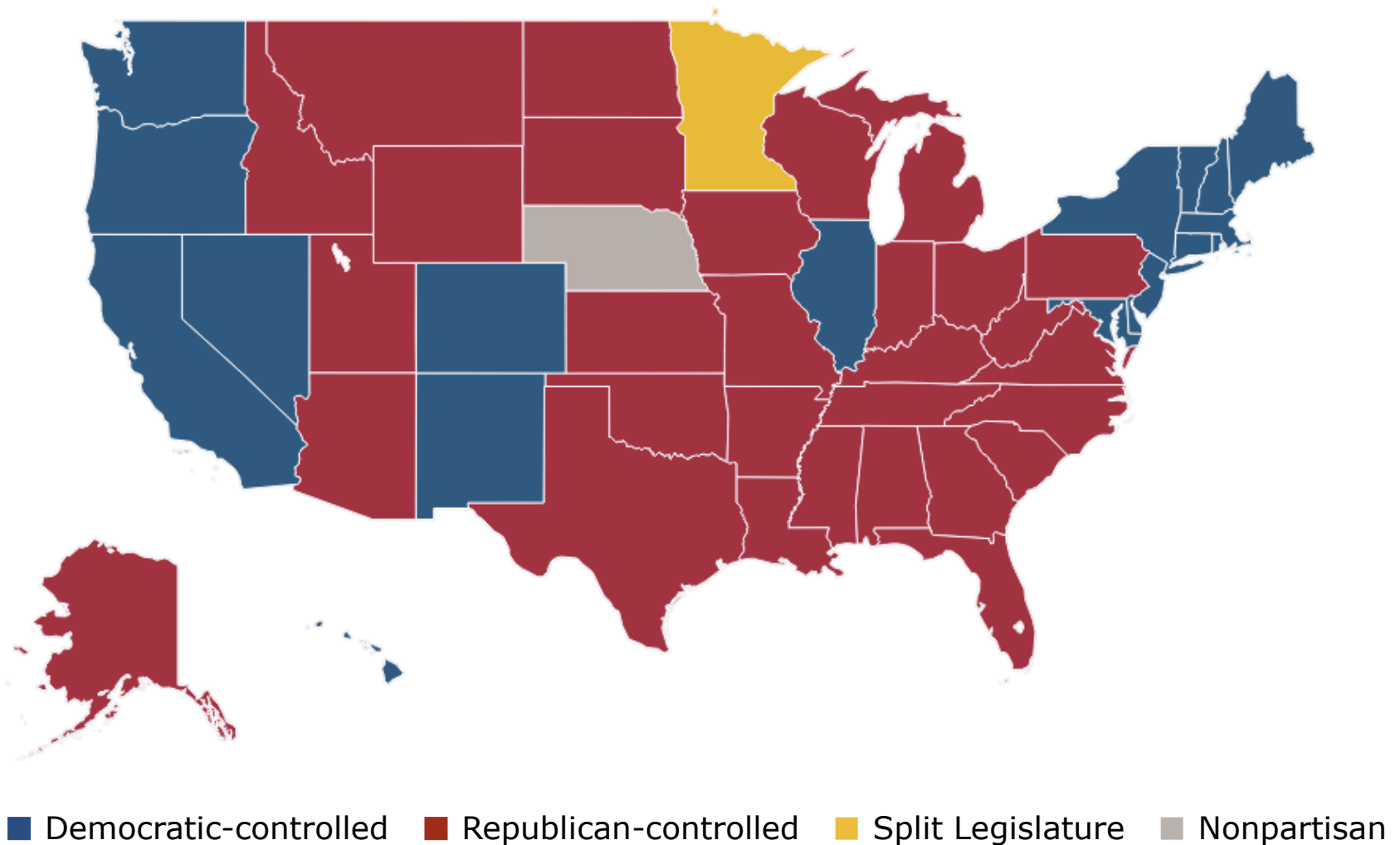
# THERE ARE FEWER & FEWER “PURPLE” STATES

*Split Senate Delegations (1 R, 1D) to Modern Low*



# FEWEST STATES WITH SPLIT LEGISLATURES SINCE 1914


*Control of state legislatures after the 2018 elections*




# COLLEGE MOMS ARE THE NEW SOCCER MOMS

Democrats won 90% of the Congressional districts with the most college-educated women (40%+ of female residents)

CA-2	CA-11	CA-12	CA-13	CA-14	CA-15	CA-17
CA-18	CA-28	CA-30	CA-33	CA-52	CO-1	CO-2
CT-4	DC	GA-5	IL-10	IL-5	IL-9	MA-4
MA-5	MA-6	MA-7	MA-8	MD-3	MD-6	MD-8
MN-4	MN-5	NC-4	NJ-5	NJ-12	NY-3	NY-4
NY-10	NY-12	NY-16	NY-17	VA-8	VA-11	WA-1
WA-7	WI-2	CA-48	CA-49	CO-6	GA-6	IL-6
KS-3	MI-11	MN-3	NJ-7	NJ-11	PA-6	PA-7
TX-3	TX-7	TX-32	VA-10	CA-45	AZ-6	IN-5
	MO-2	TX-21	TX-22	TX-24	TX-26	

 Represented by Dem before & after election

 Captured by Dem in 2018

 Represented by GOP before & after election

# EMPOWERED CITIZENS ARE DRIVING CHANGE

## *Not Waiting on Politicians... New Risks & Opportunities*



FL measure to restore voting rights for non-violent felons got more votes in midterm than Trump got in 2016 general... *odds of federal criminal justice reform went up*



CO, MI, MO & UT voted to reform redistricting process, making 12 of 50 states who have reformed... *watch for many similar efforts in 2020 ahead of next redistricting*



ID, NE & UT voters opted to expand Medicaid in their states, while KS, ME, WI elected pro-ACA governors... *combined with Ds' effective campaigning on protecting pre-existing conditions, makes future ACA repeal even less likely.*

TOTAL VOTES IN FLORIDA

Amendment 4 (2018): 4,687,379

Trump-Pence (2016): 4,617,886



# THE 2020 CAMPAIGN HAS STARTED

## Both Parties Saw Failures Going Left or Right

**CHARISMATIC  
PROGRESSIVE  
ROCK STARS**

Gillum (FL)  
O'Rourke (TX)  
Abrams (GA)

**PRAGMATIC  
MIDWESTERN  
MODERATES**

Donnelly (IN)  
Bredesen (TN)  
McCaskill (MO)  
McGrath (KY)

**"REASONABLE"  
REPUBLICAN  
MODERATES**

Curbelo (FL)  
Comstock (VA)  
Lance (NJ)  
Coffman (CO)

**TRUMP-  
EMBRACING  
POPULISTS**

Kobach (KS)  
Heller (NV)  
Arrington (SC)

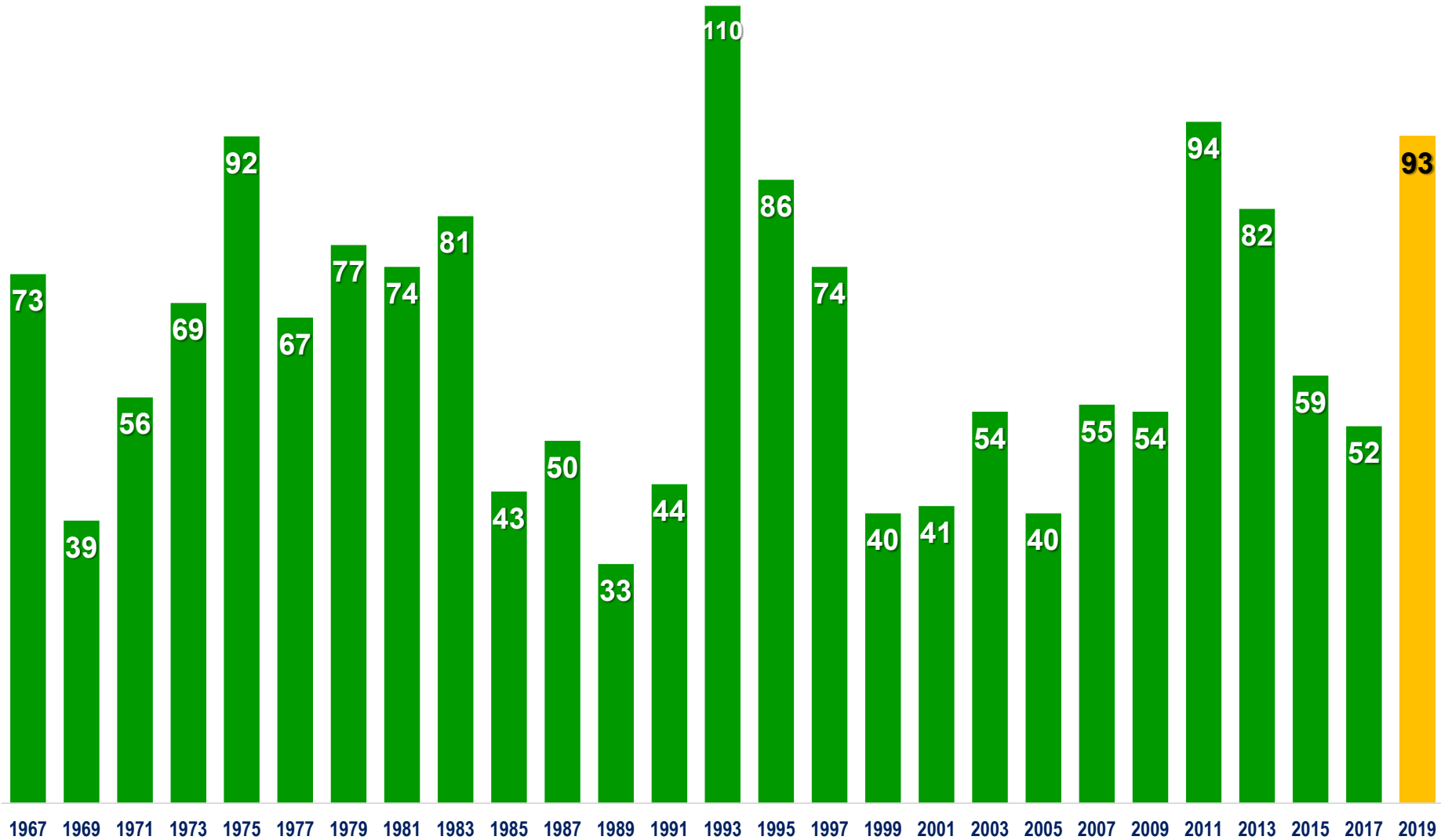
## Dems' 2020 Strategy Unclear... GOP's Unquestioned



**NAVIGATING CHANGE IN  
2019 WASHINGTON**

***7 Lessons for  
Business Leaders***

## Freshmen Classes 1967-2019



Size of Freshman Classes in the House of Representatives, 1967-2019



# EXPECT MORE EXECUTIVE ACTION: *Stay Engaged w/ the Administration*

## *President Obama's "Phone & Pen" Remain in the Oval Office*

Trade Friction with China Likely to Accelerate



Immigration Showdown Expected



## *What We Expect from Dem-Led House in 2019-20*

### *Rally the Base*

- Immigration/ Dreamers
- Ethics Reform
- Gun control
- Pay Equality
- Voting Rights
- Medicare for All

### *Stop Trump*

- Endless Oversight
- Block Deregulation
- Protect / Save ACA
- Undo Tax Cuts

### *Potential Deals*

- Infrastructure
- Rx Prices
- Trade
- Tax Reform-Reform
- Data Privacy, Antitrust
- Criminal Justice Reform



## ***Congressional Oversight Can Be High Risk, High Impact***



### **High Impact Oversight**

- **BIG TOBACCO 1994** → \$206B settlement agreement
- **MICROSOFT 1997** → DOJ antitrust lawsuit
- **MORTGAGE-BACKED SECURITIES 2010** → Dodd-Frank
- **BANK SECRECY 2009** → Global prosecutions
- **RUSSIAN ELECTION INTERFERENCE 2017** → Techlash

### **POTENTIAL HEARINGS ON...**

- ❖ **2017 TAX REFORM IMPACT**
  - CapX vs share buybacks
  - Wage growth vs CEO pay
  - Repatriation
- ❖ **HEALTH CARE**
  - Rising costs
  - Prescription Drug prices
- ❖ **CLIMATE / ENERGY**
  - GHG emissions
- ❖ **WALL STREET**
  - High frequency trading
  - Too big to fail
- ❖ **BIG DATA, BIG TECH**
  - Privacy
  - Antitrust
- ❖ **WORKFORCE**
  - Diversity, #MeToo
  - Automation, Retraining

## *Real Majorities on Real Bills*

### MAJOR BIPARTISAN DEALS IN 2018

Music Modernization Act

Economic Growth, Regulatory Relief, and  
Consumer Protection Act (Dodd-Frank fix)

FAA Reauthorization Act of 2018

Opioids

Stop Enabling Sex Trafficking Act

FY19 Appropriations\*

Russia Sanctions

“Grain Glitch” / WOTC

CHIP (10 years)

Water Resources Development Act

Miscellaneous Tariffs Bill

Portman-Cardin IRS Bill

Save Our Seas Act of 2018







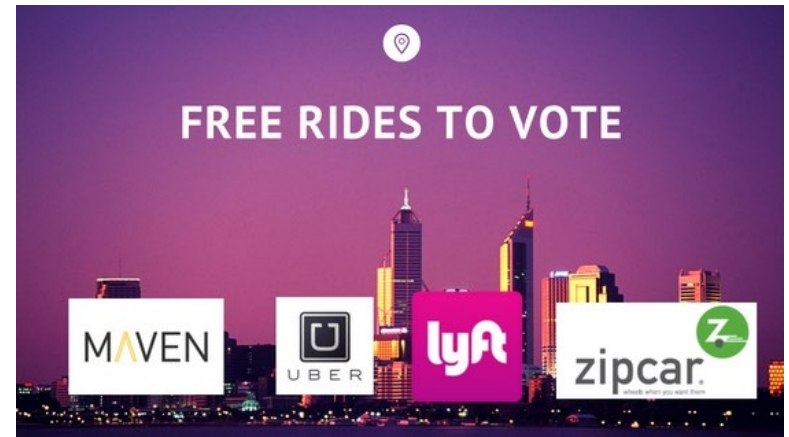
# PRESSURE ON BUSINESS WILL GROW: *Prepare for Rising Activism*

## *Social Issues Increasingly Inescapable for Companies*

### **New Accountability**



### **New Opportunities**



### **New Audiences**



### **New Risks**



# As for the Rest of 2018...



Our October predictions for the Lame Duck stand...

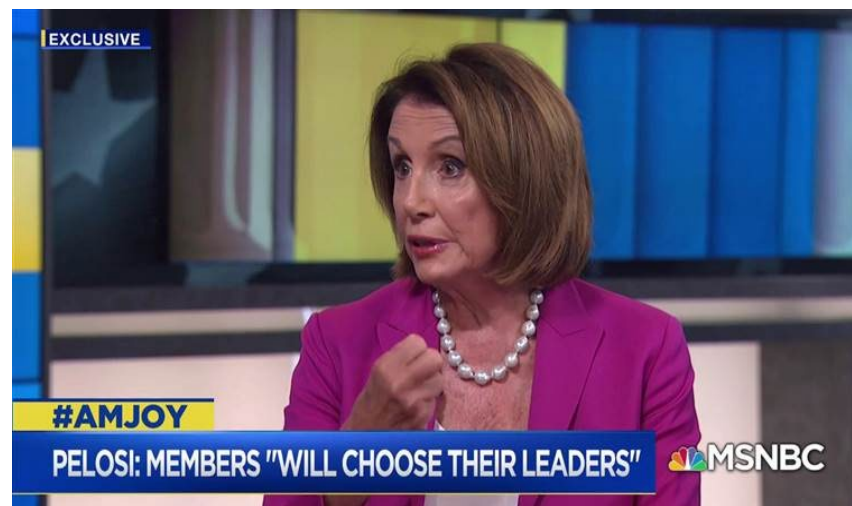


# NOVEMBER-DECEMBER

## Fighting About the Elections



## Leadership Contests



## Budget Battles & Trade Wars



## Probes, Purges & Pardons



# WHAT REMAINS FOR THE 115<sup>TH</sup> CONGRESS?

## *Battles Over Wall-Funding & Nominees Likely*

### 1. Funding Government Past 12/7

- Continuing resolution expires
- Pres. Trump may veto spending bill that fails to significantly fund border wall.



### 2. 132 Nominees awaiting Senate Confirmation (on Executive Calendar)

### 3. Farm Bill / Food Assistance (SNAP)

### 4. Intelligence Reauthorization

### 5. Nat'l Flood Insurance Program

### 6. Higher Education Act

### 7. Tax Extenders & Technical corrections

### 8. IRS Reforms

### 9. Election Security

### 10. Violence Against Women Act

MEHLMAN CASTAGNETTI  
— ROSEN & THOMAS —

*is one of the nation's most innovative government relations firms, offering strategic solutions to companies, trade associations, non-profits, and entrepreneurs that help them succeed in Washington.*

<http://www.mehlmancastagnetti.com/>