

November 7, 2017

CCIA

Congress, How It Really Works

Presented By:



THE TRADITIONAL 3 Ps OF LEGISLATING



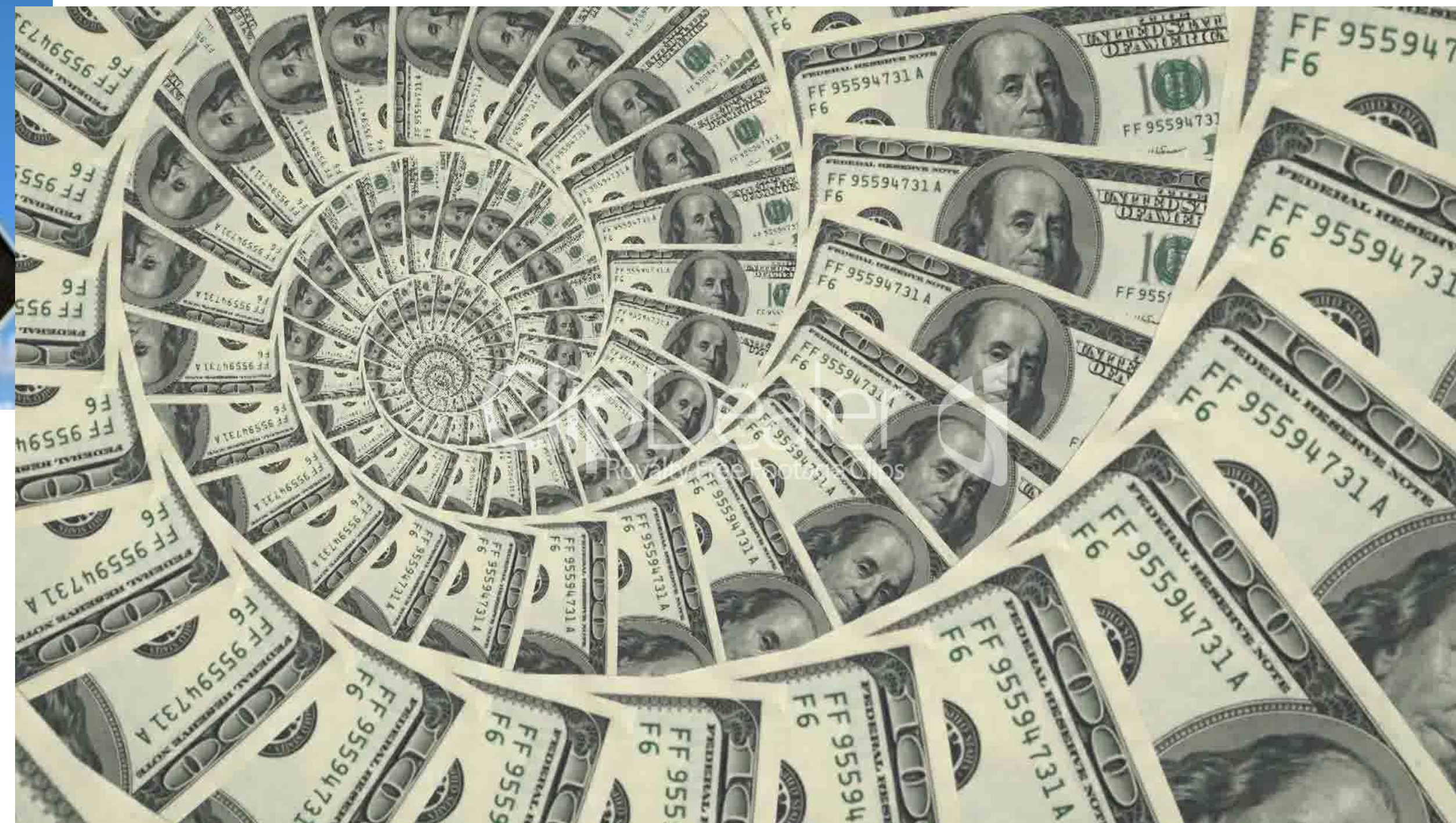
POLITICAL



Policy AV

Procedure ST

DON'T FORGET THE 2 Ms



Traditional v. Today

- Once fairly clear lines between the lanes
- Now “blurred lines” at best

Money Traditional Role

- Money has always had a significant influence on American politics
- Breakfasts, lunches, cocktail receptions, dinners to raise for their own campaigns, leaderships PACs and Party PACs
- Hours a day “dialing for dollars”
- Average cost of a Senate race in America today is about \$11 million in direct spending by the candidate and \$22 million in total spending

Money Changed Role

- How to get to \$22m? = Outside Money
- 2016 record was \$167 million in PA
 - \$124m “outside spending”
 - \$200m +/- '00 Bush race for perspective
- Why “outside money”?
 - Citizen’s United
 - January 21, 2010, ruled (5–4) that laws that corporations had free speech protections like people and thus could spend unlimited funds on independent “electioneering communications” (political advertising).
 - But not “direct” contributions which are still restricted



Media's Changed Reality

- Journalists once trusted source for “facts” and outlet to debate policies on the basis of those facts
- Internet brought instant
- Journalism cannot be done well instantly
- The shift in reliance on “other” media over journalism
- Short time before blurring the two
- Opportunity for policy rhetoric unhinged from reality

Media's Changed Impact

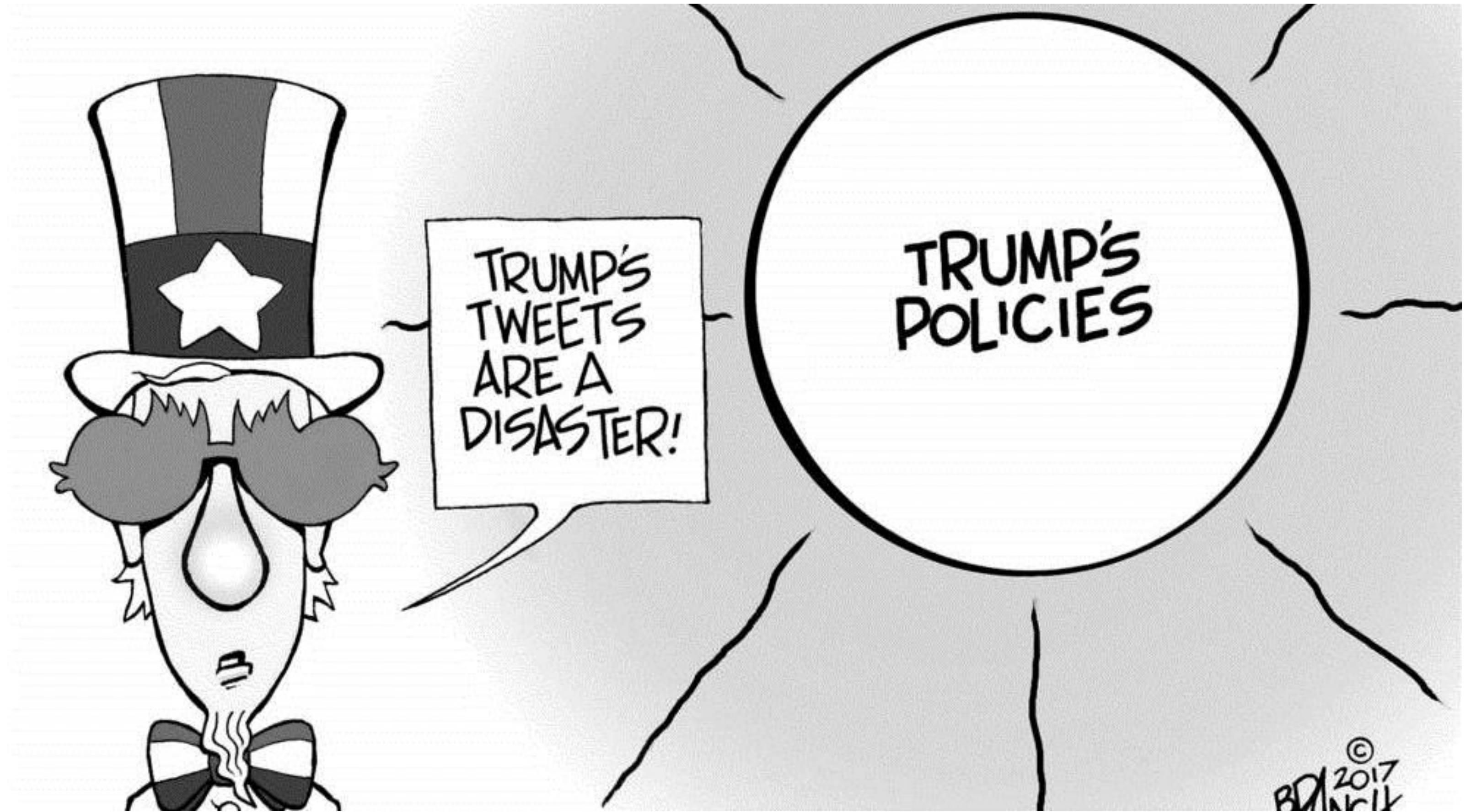
- On Politics
 - most time spent agreeing or disagreeing with murky media sources and how they frame
 - more time fundraising and less campaigning directly to constituents to afford media
 - A major Trump advantage in 2016 was self \$\$
- On Process
 - voting then becomes risky
 - vote twisted in media and used in re-election
 - vote inconsistent with empty campaign promises = vicious circle
 - loss of regular order = no voting record to run on
 - Accountability previously inherent in procedure is lost
- On Policy
 - pander to what constituents believe they want (as driven by third parties)
 - rather than selling/defending ideas or positions to them
 - “say anything” to get elected with zero chance of delivery

Policy - Traditional Drivers

- Academia
- Think Tanks
- Trade Associations
- Corporations
- Constituent / Citizen Advocates
- Employers
- Grass Tops - local governments
- Grass Roots - organized citizens
- COALITIONS OF ALL OF THE ABOVE

“Policy” - Today’s Drivers

- The added layer of social media
- Which statements are Policy and which Politics?
- Blurred Lines
- No follow through / no accountability



Congressional Procedure - “Regular / Traditional Order”

- The Committee Process
- The Budget & Appropriations Process
- Authorizing Committee Hearings
- Authorizing Committee Mark Ups
- Orderly Floor Consideration
- 60 Vote Expectation in the Senate to Proceed
- Conference Committees
 - The occasional “Air Drop”
- Both Chambers Vote on Conference Reports
- POTUS Signs
- Oversight Committees to ensure congressional intent is met
- PROCESS = TRANSPARENCY

HOW DOES A BILL BECOME A LAW?

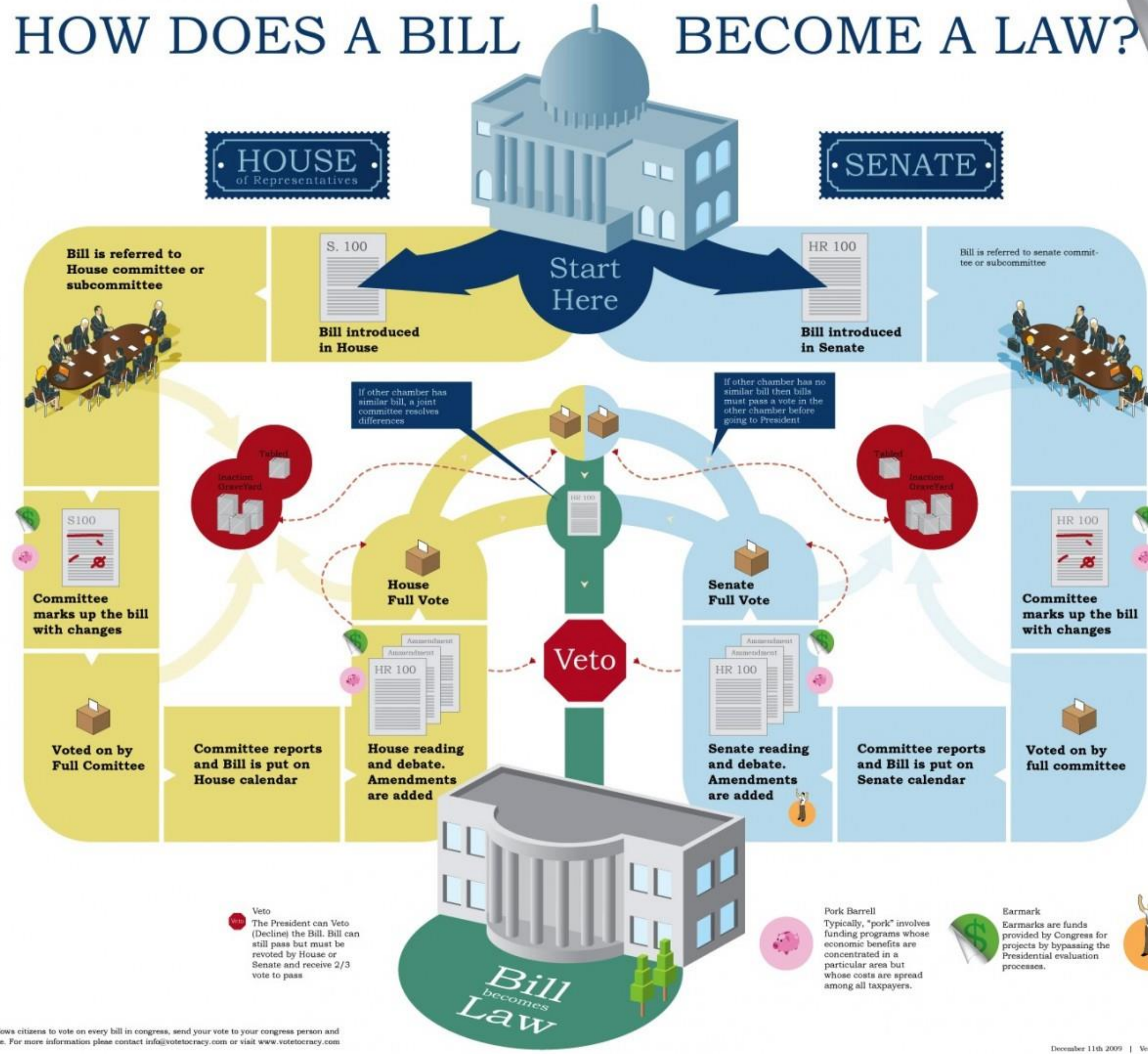


435
Representatives

Each state receives representation in the House in proportion to its population but is entitled to at least one Representative. Each representative serves for a two-year term. The House was granted its own exclusive powers: the power to initiate revenue bills, impeach officials, and elect the president in electoral college deadlocks.

100
Senators

Each U.S. state is represented by two senators, regardless of population. This ensures equal representation of each state in the Senate. Senators serve staggered six-year terms.

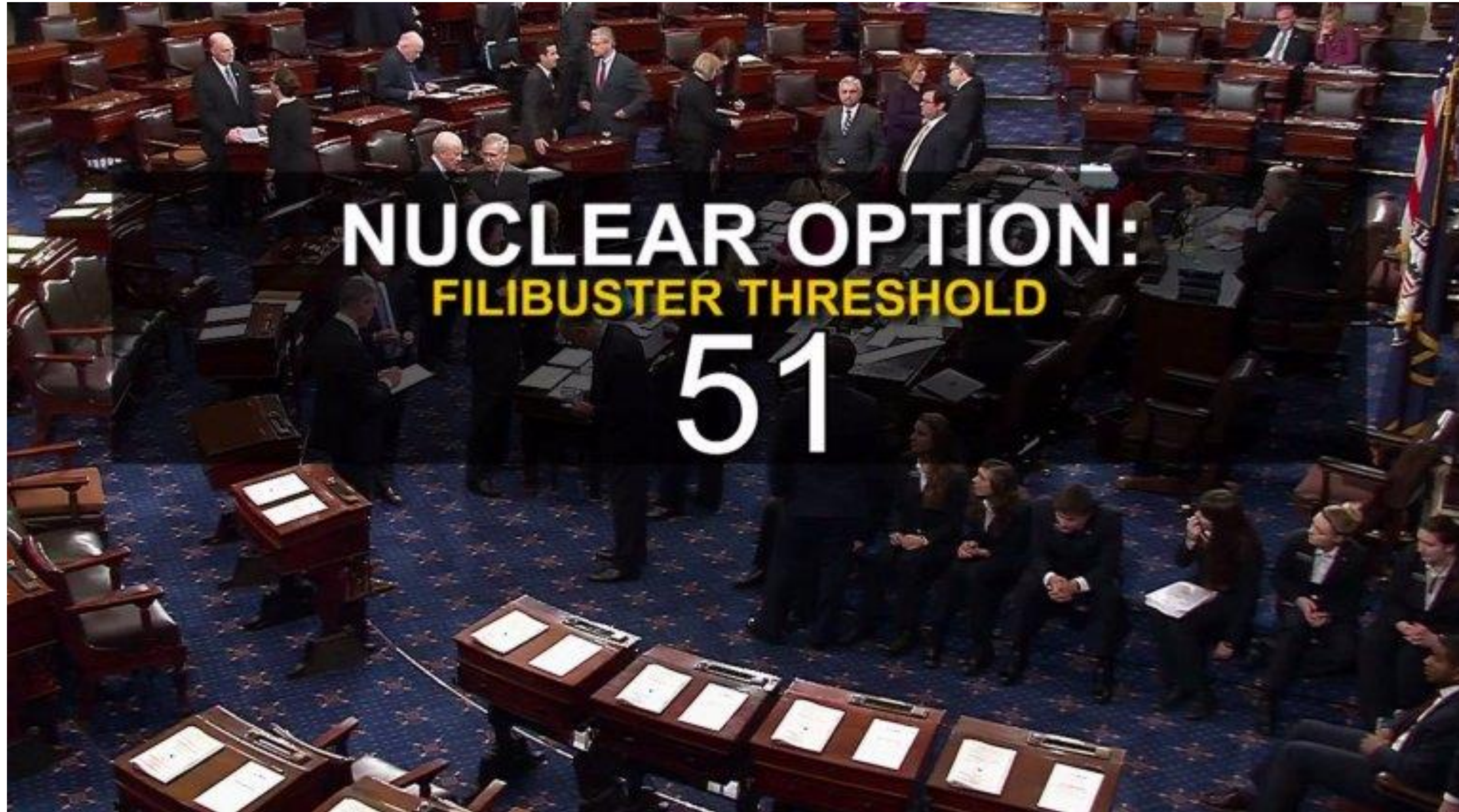


Votetocracy.com is a website that allows citizens to vote on every bill in congress, send your vote to your congress person and see if citizens agree with the outcome. For more information please contact info@votetocracy.com or visit www.votetocracy.com

Congressional Procedure - Today's “Order”

- “Gangs” versus Committees
 - Committees replaced by leadership and small groups of chosen negotiators with little transparency
- “Ping Pong” versus Conference
 - Conference Committees Replaced the Senate sending its version of a bill back to the House in “take it or leave it”
- Budget Reconciliation versus Filibusters
 - Reconciliation legislation only needs 51 votes in the Senate
- And then there is.....“Nuclear”
 - changing the Senate rules permanently for one vote

Congressional Procedure - Nuclear



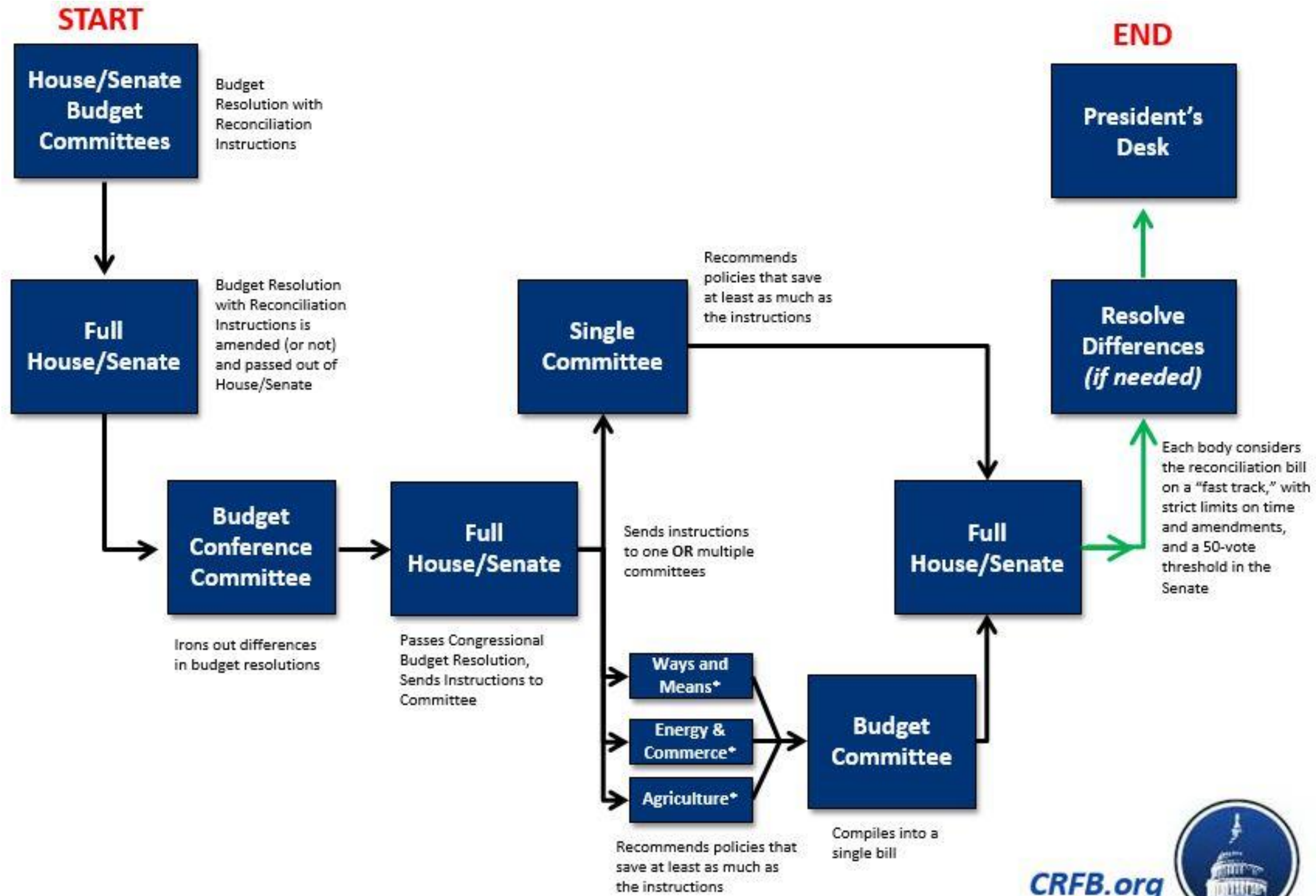
Congressional Procedure - Budget Reconciliation

- A reconciliation instruction is a provision in a budget resolution directing one or more committees to submit legislation changing existing law in order to bring spending, tax revenues, or the debt ceiling into conformity with the budget resolution.
- Result is that the proposal returned from the committee and sent to the floor cannot be filibustered and thus only requires 51 votes - not 60 and under STRICT time limits.
- Can only be used up to 3 times per year - one for each category spending, tax revenue, debt.
- In reality, very difficult to fit much more than one per year due to political

Congressional Procedure - Budget Reconciliation

Notable Uses

- 1996 Clinton Welfare Reform
- 2001 and 2003 Bush Tax Cuts
- 2010 Affordable Care Act
- 2016/7 Attempts to Repeal Affordable Care Act
- 2017 Attempt at Comprehensive Tax Reform



Congressional Procedure - Today's "Dis-Order"

James Madison wrote in the federalist papers that the Senate is "the great anchor of the Government," whose slower processes and higher thresholds for action would guard against the "fickleness and passion" of public opinion.

Political Drivers - Then and Now

- Party loyalty
 - “All politics is local”
 - To agree on the big things (party platform), deliver the small things home
- The Election Cycle
 - The House is always running - 2 years
 - The Senate could always flip (see current list) every 2
 - Voting records matter
- Gerrymandering
 - States control the election map
 - Districts are safely red or safely blue due to lines
- Money money money

Political Drivers - What's Different?

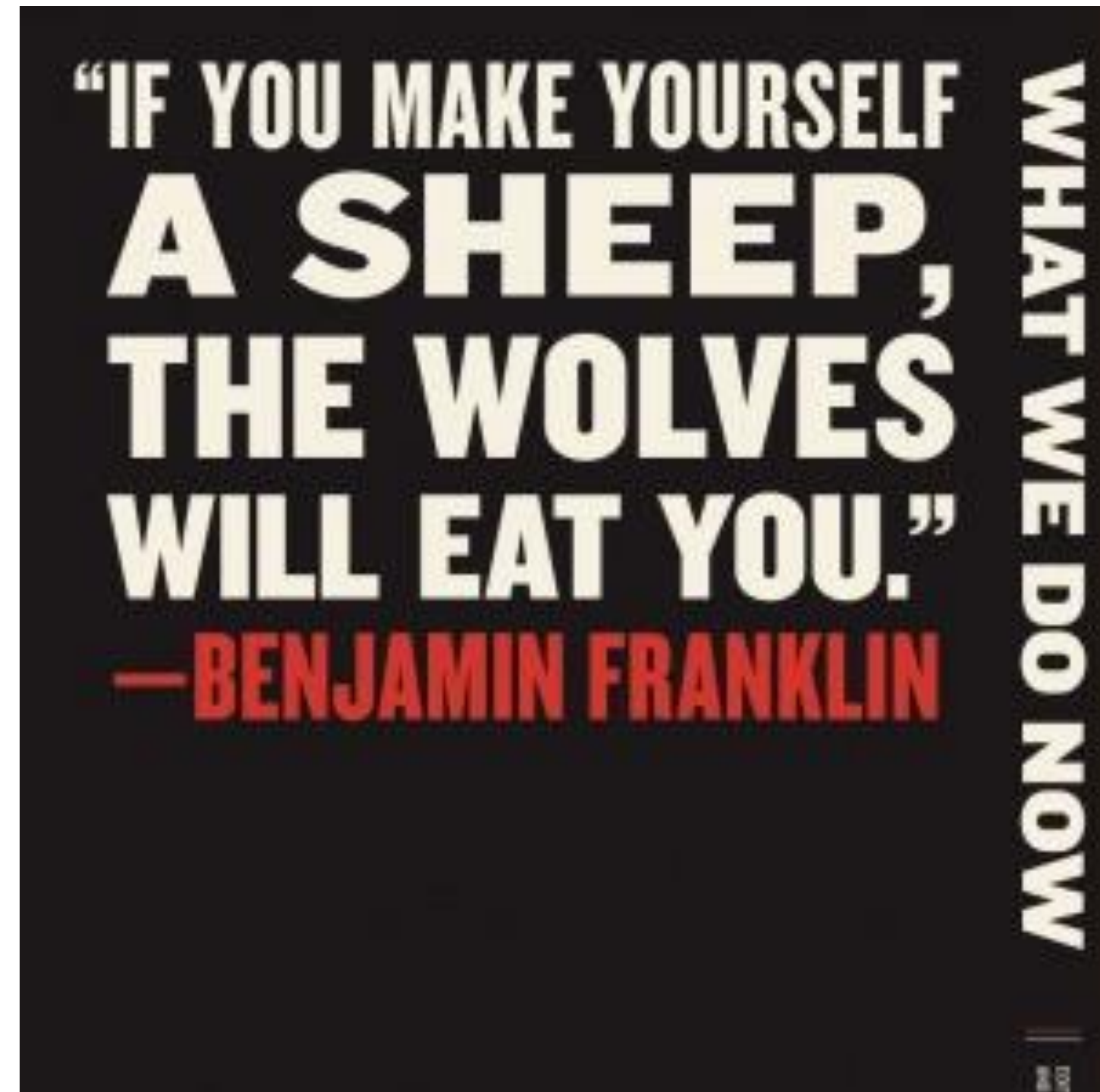
- Party loyalty - where?
 - A President without a party - Align with him or flee from him?
 - A Speaker without a full caucus - The Freedom Caucus fka "Tea Party"
 - No Earmarks - can't deliver the bacon thus harder to line up on platform
- Gerrymandering
 - To get "primary-ed" from the right?!?!
- The Election Cycle - What to run on?
 - Broken process means no record
 - Broken process means broken campaign promises
 - Without policy, find a scapegoat
- Money money money
 - Steep upward trajectory
 - Media spin at all time high means agree to what people want to hear rather than promote sound policy?
 - Raise more money to be heard over the noise
- Atmospherics.... Too perilous to act??

Political “Atmospherics”



What To Do Now?

- Engage
 - Politics
 - Policy
 - Procedure
 - Raise Money
 - Develop a Media Strategy
- Try not to go it alone
 - Strength in numbers



Engage - You're Not Alone

- But, it's:

2,850

registered financial
services lobbyists

- uncertain

792

- less
transparent

fin services
companies/trades/non-
profits

- slow moving

313

- costly.....

insurance

And Why?

THE AMAZING ROI (RETURN ON INVESTMENT) OF CORPORATE LOBBYING

Compare the expected return for every dollar spent: lobbying blows any ordinary investment strategy out of the water; even a blue chip stock. It's no wonder \$3.5 billion were spent lobbying in 2010.

SOURCES:
 CENTER FOR PUBLIC INTEGRITY
 "MEASURING RATES OF RETURN FOR LOBBYING EXPENDITURES: AN EMPIRICAL ANALYSIS UNDER THE AMERICAN JOBS CREATION ACT" BY ALEXANDER, MAZZA, AND SHOLZ, 2009
 PRICEFOIL.ORG
 OPENSECRETS.ORG
 OURFUTURE.ORG



An Ordinary American Invests in one BLUE CHIP STOCK

ROI: 11% If you invested in DOW Jones Industrial Average companies in 2010, you would have earned an average of 11 cents for every dollar invested.

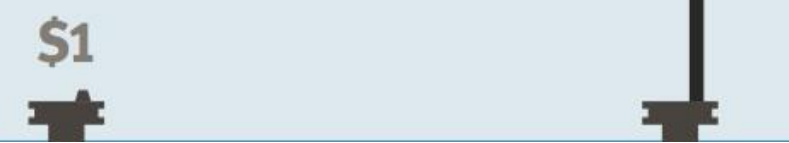


Big Fossil Lobbies for OIL SUBSIDIES

ROI: 5,900%

The oil, gas and coal industry heavily lobbies Washington. During the 111th Congress they gave \$347 million in campaign contributions. The same Congress approved over \$20 billion in subsidies to the fossil fuel industry.

For every dollar spent on lobbying, \$59 were received in subsidies. That's an ROI of 5,900%.



Multinationals Lobby for a corporate TAX BREAK

ROI: 22,000%

In 2004, 93 US corporations lobbied for a temporary tax break to bring their offshore profits back to US banks. They argued that the money saved would be spent on creating jobs.

The companies spent \$283 million lobbying for the measure, which passed. Because of it, they paid \$63 billion less in taxes. That's an ROI of 22,000%.

(The companies only spent 9% of their savings on new jobs.)



Big Pharma Lobbies to keep DRUG PRICES

ROI: 77,500%

President Bush created our federal prescription drug program for seniors in 2003. The pharmaceutical industry spent \$116 million lobbying to bar Medicare from bargaining for competitive drug prices.

If Medicare could negotiate drug prices, it would save approximately \$90 billion a year for prescriptions. That's a 77,500% ROI for the drug companies.



Washington Through the CCIA Lens

How do CCIA's objectives fare in the current policy, political, procedural, media and \$\$ environment?

CCIA - General Policy Issues

- **All-In APR** - limit the CFPB's ability to utilize for regulatory purposes (a) a **cost of credit calculation inconsistent with the Truth in Lending Act** and its implementing Regulation Z, or (b) a rate or amount of interest or finance charge accrual inconsistent with the rate authority applicable to a financial product or service under applicable State law
- To **protect non-financial products** and services from Bureau regulation
- To **protect providers of non-financial** products or services from Bureau regulation

CCIA - Policy Frame

- Align policy with other voices
 - General alignment with larger trade associations
 - General alignment across industry
 - Coalition established on VPPs
 - Supporting positions and initiatives of aligned interests
- Align policy with member / legislator interest
 - CFPB reform is one of the most toxic with Democrats
 - But CCIA issues fit cleanly in Repub view of “over reach”
 - Issues have good legal & policy argument support
 - Solution on some of agenda can be fairly targeted rather than carve out or authority elimination

CCIA - Procedure

- The good news:
 - The House passed a financial services / DF reform bill
 - The Senate Banking Committee Chairman Crapo (R-ID) is committed to a committee process
 - Individual members influence & transparency
- The bad news:
 - Little room in the legislative calendar for 2017 and early 2018 until Tax Reform clears
 - Senate starting from scratch - not referencing House bill
 - No Budget Reconciliation instruction for Banking
 - 60 votes needed and longer process
 - Almost certainly narrows scope of issues in 2018

CCIA - Political Opportunities

- Senate Banking Committee commitment to “regular” order makes committee members relevant - not just leadership
- Senate Banking Committee members are perhaps the most moderate panel in the Senate
 - And a number of the more moderate Democratic members are on the most endangered 2018 election list
- Since 60 votes needed to pass legislation, Chairman will want to work with moderate members who can find bipartisan agreement
- CCIA policy objectives are moderate proposals with facts, law and policy on their side

Senators up for reelection in 2018

State	Senator Party	Electoral History	State	Senator Party	Electoral History
California	Dianne Feinstein (D)	1992 (Special), 1994, 2000, 2006, 2012	Arizona	Jeff Flake (R)	2012
Connecticut	Chris Murphy (D)	2000, 2006, 2012	Mississippi	Roger Wicker (R)	2007 (Appointed), 2008 (Special), 2012
Delaware	Tom Carper (D)	2000, 2006, 2012	Nebraska	Deb Fischer (R)	2012
Florida	Bill Nelson (D)	2000, 2006, 2012	Nevada	Dean Heller (R)	2011 (Appointed), 2012
Hawaii	Mazie Hirono (D)	2012	Utah	Orrin Hatch (R)	1976, 1982, 1988, 1994, 2000, 2006, 2012
Indiana	Joe Donnelly (D)	2012	Tennessee	Bob Corker (R)	2006, 2012
Maine	Angus King (I)	2012	Texas	Ted Cruz (R)	2012
Maryland	Ben Cardin (D)	2006, 2012	Wyoming	John Barrasso (R)	2007 (Appointed), 2008 (Special), 2012
Massachusetts	Elizabeth Warren (D)	2012			
Michigan	Debbie Stabenow (D)	2000, 2006, 2012			
Minnesota	Amy Klobuchar (D)	2006, 2012			
Missouri	Claire McCaskill (D)	2006, 2012			
Montana	Jon Tester (D)	2006, 2012			
New Jersey	Bob Menendez (D)	2006 (Appointed), 2006, 2012			
New Mexico	Martin Heinrich (D)	2012			
New York	Kirsten Gillibrand (D)	2009 (Appointed), 2010 (Special), 2012			
North Dakota	Heidi Heitkamp (D)	2012			
Ohio	Sherrod Brown (D)	2006, 2012			
Pennsylvania	Bob Casey, Jr. (D)	2006, 2012			
Rhode Island	Sheldon Whitehouse (D)	2006, 2012			
Vermont	Bernie Sanders (I)	2006, 2012			
Virginia	Tim Kaine (D)	2012			
Washington	Maria Cantwell (D)	2000, 2006, 2012			
West Virginia	Joe Manchin (D)	2010 (Special), 2012			
Wisconsin	Tammy Baldwin (D)	2012			

**25 Democrats
vs.
8 Republicans**

CCIA - Political Opportunities

- Republicans are confident in expanding Senate margins in 2018
- But House might flip = possible pressure to deal in 2018
- Some approachable SBC Democrats (just examples)
 - Senator Donnelly (D-IN)
 - Senator Heitkamp (D-ND)
 - Senator Tester (D-MT)
 - Senator Warner (D-VA)
- A number of generally interested Senate Republicans on SBC

CCIA - Political Execution

- Grassroots / Grasstops:
 - identify constituent impact in each of key states
 - letters / calls to those key members
 - develop and share data
- Direct lobbying
 - Meet with the key subject matter staff for the key members to familiarize staff with issues
 - Become a resource in the issue space
 - Provide helpful analysis WHEN TIMELY
 - Identify opportunities to link own policy with priorities of the member
 - e.g. help on CRA for arbitration rule
- Elevate name and issue recognition with the members
 - Media strategy
 - In state site visits or face time opportunities
 - Fundraising \$\$\$ - Timely, Targeted, Industry Focused

CCIA - \$\$

- What it is not:
 - **Not pay to play**
 - **Not quid pro quo**
- What it is:
 - Opportunity to hear directly about their priorities in detail
 - Opportunity to educate them on your general concerns
 - Demonstration of support for their campaign
 - Relationship builder with the member and political staff
 - Profile enhancement in the broader “support” community = opportunities to work together
- Is it necessary?
 - It is necessary for them to raise enormous amounts of money, so yes
 - Personal relationship = gets calls returned during crunch time
 - Personal relationship = knowledge on when/how to adjust positions/strategies
 - Personal relationship = might call on you as a resource instead of someone else
- **Fundraising helps raise the priority of the messenger (trust) but not necessarily the message.**
- **Still need a compelling message.**

Takeaways

- Significant changes in our political landscape
- Significant impact on each of the core elements of our federal system of policymaking
- Washington is a more challenging environment to navigate than before
- Washington is less transparent than before
- But pathways remain to impact federal policy
- Use them.....if you're not at the table you are very much on the table



November 7, 2017