

November Election – What Did Happen?

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In February, I went on record at the AWPAs Annual Meeting with predictions about what we might expect to happen in the November elections. I even prognosticated about what the gains and losses would be for each party. So how well did I do? Lets dig into the numbers.

First, what steered this years election? The biggest takeaway was that suburban voters wanted to send a message to the president by electing more Democrats to represent them in the House. However, the GOP base and Trump supporters succeeded in several Senate races whose states went to the president in 2016 (i.e., Indiana, Missouri and North Dakota). Also, women voters played a big role (especially those with a college education) which resulted in a record number of women to be sworn in during January 2019. One final note – it has been noted that voters were seeking a divided government in order to have a checks and balances situation between the Congress and the White House.

The House of Representatives:

Democrats needed to flip 23 seats to take control. At press time they had flipped 28 seats, with another 15 too close to call. This will mean all new leadership in the House, including Speaker and Committee Chairs. Of particular importance to wire and wire products companies would be the Transportation Committee and the House Ways and Means Committee. Rep. Peter DeFazio (OR) is expected to Chair the Transportation Committee. In the past, he has championed proposals to raise revenues across all modes of transportation. It is anticipated that the Oregon Democrat will propose to raise fuel taxes and index them to inflation that would serve as the cornerstone of a surface transportation reauthorization bill.

The House Ways and Means Committee, which has jurisdiction over tax measures, is expected to be led by Massachusetts Democrat Richard Neal. It is anticipated that he will in early 2019 hold hearings on the impacts of the 2017 GOP tax overhaul bill, as well as targeted fixes both Republicans and Democrats say are needed. He also wants to work on an infrastructure package to pay for much needed road and bridge repair, as well as retirement savings incentives. There is no word on whether trade matters will be on the forefront of his agenda.

So how did I fare? Well, I had estimated that the Democrats would pick up 30-35 seats, and therefore control the House of Representatives. Almost there...2 more to go to hit my margin.

The Senate:

In the Senate, Republicans had better outcomes. They experienced a net gain of 2 seats (Missouri, Indiana and North Dakota flipped to GOP hands, but Nevada went Democratic). At press time, there were still 3 races too close to call (Florida, Mississippi and Arizona). This means the Republicans retained in control of the Senate by at least a 51 to 46 margin. Therefore, the leaders will remain the same, although the Chairman of the Senate Finance Committee (which oversees tax measures) - Orrin Hatch - is retiring at the end of this year. This means that either Sen. Charles Grassley (IA) or Michael Crapo (ID) will take the gavel. Both would be expected to focus on health care and additional tax measures. Neither has specifically mentioned anything about trade at this time.

So how did I fare on the other side of the Capitol? I had predicted that the Republicans would retain control of the Senate and gain 2-3 seats. Phew!

What's Next?

Indeed, we have a divided government again, but this might be a good thing – especially in the short term. Both the president and the Democratic leaders in the House are aiming to prove they can get things done – especially in preparation for the 2020 election. Therefore, we could see an active 6-8 months starting January 2019 on the following initiatives:

Infrastructure – Highways and other infrastructure issues are both a priority of incoming Speaker Nancy Pelosi and the president, and we could actually see some bipartisanship work to push a bill through the Congress and signed into law. There also could be deal reached to reauthorize the Highway Trust Fund. A 2015 law reauthorizing spending on highways and transit programs expires in 2020, right when the Highway Trust Fund (that covers the cost of those programs) will be in dire need of a fix. The Congressional Budget Office estimates the fund's transit account will run out of money in 2021 and the highway account in 2022. However, the parties do differ on how to pay to refill the coffers.

With respect to an infrastructure bill, Trump campaigned in 2016 to pump \$1 trillion or more into the nation's roads, airports, electric grid and other infrastructure, but the issue was never put on the front burner. Democrats agree that more spending needs to be done on our nation's infrastructure.

Success on this initiative directly depends on whether the president is willing to buck the Republicans and side with the Democrats about spending this funding, which would likely necessitate some type of new tax structure or budgetary earmarking.

Drug Prices – both parties have stated they want to work on measures to lower drug prices, and certainly successful legislation on this front would be widely supported by voters. It also would give both Democrats and the White House “bragging rights” into 2020.

Lame Duck Session and Early 2019

There are also some issues that need to be addressed during the lame duck session of Congress in November/December. First, the spending bill funding the government expires on December 7, 2018. In order to keep the lights on, Republicans in the Senate need some Democratic support. This gives Democrats some leverage in spending priorities.

On tax matters, as usual lawmakers are facing a 2019 filing season without the temporary “extenders” in place. If there is no action before early next year, taxpayers face the loss of about \$10 billion in tax savings. Several fixes to the 2017 tax law are also in the queue, but there is no guarantee that Democrats will agree without getting something in return from the president.

Also on the horizon is dealing with the debt ceiling which is anticipated to hit its cap by March 2, 2019 and the need to negotiate a new set of appropriations caps for fiscal year 2020 and 2021. Finally, the new “NAFTA” will have to be voted on, which could be a big lift for the White House. It is not anticipated that this bill will be taken up in the lame duck session.

My Wish

Let’s hope that the two parties find a way to work together during the 116th Congress and get some important measures passed and addressed that are so critical to our country. Even in a divided government, it is not impossible to do big things. Remember - a Democratic-controlled House worked with a Republican president and Senate to produce a bipartisan tax code overhaul in 1986 and the last major reworking of Social Security in 1983. Surely this new Congress can rise above the partisanship and accomplish things in 2019.