



The Golden Apple

Reporting on the latest discord from Capitol Hill

In classic Greek mythology, a golden apple of discord inscribed "For the fairest" was awarded to Aphrodite, beginning a chain of events that led to the Trojan War. GrayRobinson's newsletter reports on the most recent issues, individuals, and discourse deemed fairest in Washington.

July 19, 2019

Community banks, credit unions will have until 2023 to comply with CECL

The Financial Accounting Standards Board (FASB) voted on Wednesday to postpone the compliance date for its current expected credit loss (CECL) standard to 2023 for small public banks, privately held banks, and credit unions. Large publicly traded banks will still have to comply in 2020. FASB issued [new guidance](#) to answer questions that have emerged about the implementation of CECL, and will conduct a series of workshops on CECL around the country. Details of those workshops should be announced "in the coming weeks," a [media release](#) said.

"What is Libra?"

Rep. Patrick McHenry (R-NC), ranking member of the House Financial Services Committee, asked Facebook's David Marcus to define the proposed digital currency at a [marathon hearing on Wednesday](#). Marcus called Libra "a reserve-backed digital currency," but said that it should not be regulated as a security, a commodity, or a bank deposit. A second panel of witnesses before the House Financial Services Committee on Wednesday afternoon said that Libra would be an exchange-traded fund (ETF) or mutual fund, rather than a true cryptocurrency, and should be regulated that way. Marcus had [appeared before the Senate Banking Committee on Tuesday](#) to explain Facebook's plans to skeptical legislators; Senator Sherrod Brown, the panel's ranking member, compared Facebook to "a toddler with a book of matches." Legislators on both sides of Capitol Hill and both sides of the aisle excoriated Facebook for its history of misusing customer data, as early word circulated about a potential \$5 billion Federal Trade Commission (FTC) fine

against the company. Marcus would not discuss the anticipated fine, but repeated that privacy was a critical component of Project Libra, and that they would not proceed until they had satisfied all regulators' concerns. GrayRobinson covered both days of hearings gavel to gavel; ask us for detailed reports if you're interested.

Policy discussions continue on privacy

At Tuesday's Senate Banking Committee hearing, Chairman Mike Crapo (R-ID) said he hoped the Project Libra proposal would speed enactment of a broader data privacy act that establishes regulations clear to all, allows customers to opt-out of data collection without penalties, and offers individuals regular opportunities to correct data collected about themselves. Separately, Senator Marsha Blackburn (R-TN) and Senator Dianne Feinstein (D-CA) held the [first public meeting of the Senate Judiciary Committee Tech Task Force](#), inviting top privacy officers from Snap, Match, Salesforce, and Mozilla to discuss the collection and use of customer information. And the FTC published a [request for public comment](#) on the agency's implementation of the Children's Online Privacy Protection Act (COPPA), as questions have arisen about the rule's application to educational technology, voice-enabled devices, and general audience platforms that host third-party content directed at children. The FTC will hold a public workshop to review the COPPA rule on October 7 in Washington.

House Financial Services Committee approves eight more bills

The House Committee on Financial Services [met Tuesday](#) to consider legislation on a range of issues. The Committee voted unanimously to approve [H.R. 3702](#), a bipartisan proposal for permanent authorization of the Community Development Block Grant-Disaster Relief (CDBG-DR) program that would strengthen the program's administration and oversight. [H.R. 3625](#), a bill to establish whistleblower protections for employees of the Public Company Accounting Oversight Board (PCAOB), passed by voice vote. Votes for the other six proposals ran generally along party lines: [H.R. 3621](#), which would make it easier for private student loan borrowers to remove certain adverse information from their credit reports; [H.R. 3623](#), which would require public companies to disclose material risks related to climate change; [H.R. 3624](#), which would require public companies to disclose the number of employees in each state and foreign country, tracking changes from the previous year; [H.R. 3629](#), which would require the Consumer Financial Protection Bureau (CFPB) to set standards for credit scoring models; [H.R. 3641](#), which would increase the SEC's authority to levy civil penalties; and [H.R. 3701](#), which would establish a 10-year statute of limitations on the SEC's civil monetary penalty authority.

Democrats propose major reforms to private equity industry

Yesterday a group of more than a dozen Democratic Senators and Representatives introduced the "[Stop Wall Street Looting Act](#)," which would make comprehensive changes in the legal framework for private equity firms. The bill would require private investment firms to share responsibility for the liabilities of companies they acquire and would end the tax deductions for excessive leverage and carried interest. It would ban dividends to investors for two years after a portfolio company is acquired, and would reinstate Dodd-Frank's requirement that arrangers of corporate debt securitization retain some of the risk. It would prioritize worker pay in the bankruptcy process, create incentives for job retention, and clarify that gift cards are consumer deposits. Primary Senate co-sponsors are Senators Elizabeth Warren (D-OH), Tammy Baldwin (D-WI), Kirsten Gillibrand (D-NY), and Sherrod Brown (D-OH); Reps. Marc Pocan (D-WI) and Pramila Jayapal (D-WA) introduced companion legislation on the House side.

Senators introduce bipartisan anti-spoofing legislation to stop robocalls

At a [hearing of the Senate Special Committee on Aging](#) on Wednesday, Chairman Susan Collins (R-ME) announced that she and Senator Kyrsten Sinema (D-AZ), with three colleagues, were introducing the [Anti-Spoofing Penalties Modernization Act](#) to double the penalties for illegally disguising caller IDs. The bill would also extend the statute of limitations for these violations to three years, from the current two years. Last week the Senate Commerce Committee voted out [S. 149](#), the Stop Senior Scams Act, which would provide tools for bank tellers, retailers, and others to identify and report possible cases of elder financial abuse.

Treasury recommends best practices for financial literacy education

On Monday the Treasury Department published [Financial Literacy Reform: Coordinating and Improving Financial Literacy Efforts](#), an 80-page report that makes recommendations for improving the governance and coordination of federal financial literacy programs and describes best practices for financial literacy education. Those eight practices include five identified by the Consumer Financial Protection Bureau — know your audience, provide actionable and timely information, improve key financial skills, build on motivations, and make it easy to follow through on good decisions — and add three more: develop standards for professional educators, provide ongoing support, and evaluate for income. The report also suggested that net worth is a better measure of households' financial health than income, and recommended that digital financial products and services be included in financial literacy training programs.

Confirmations, Nominations, Departures

- The President [announced his intention to nominate Monica Crowley](#) to be Assistant Secretary of the Treasury for Public Affairs, a step up from her current position as Senior Advisor for Public Affairs at Treasury.
- The President [announced via Tweet](#) that he intends to nominate Eugene Scalia to be Secretary of Labor; the White House has not yet made this announcement formally.

Coming Up in Washington

- July 23 at 10:00 a.m. Senate Committee on Banking, Housing, and Urban Affairs holds a [hearing to examine challenges for cannabis and banking](#), focusing on outside perspectives.
- July 23 at 2:15 p.m. Senate Commerce Subcommittee on Science, Oceans, Fisheries, and Weather holds a [hearing to examine America's waterfronts](#), focusing on economic, recreational, and environmental challenges.
- July 23 at 2:30 p.m. Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights holds a [hearing to examine enforcement of the antitrust laws](#).
- July 23 at 4:00 p.m. House Oversight Subcommittee on Government Operations holds a hearing on "Restoring the Partnership: The Future of Federalism."
- July 24 at 10:00 a.m. House Committee on Financial Services holds a hearing on "[The Next Megabank? Examining the Proposed Merger of SunTrust and BB&T.](#)"
- July 24 at 10:15 a.m. Senate Committee on Finance holds a [hearing on the nominations](#) of Brent James McIntosh as Under Secretary of the Treasury, Brian Callanan to be General Counsel of the Treasury, Brian McGuire to be a Deputy Under Secretary of the Treasury, and Travis Greaves to be a Judge of the United States Tax Court.
- July 25 at 10:00 a.m. House Financial Services Task Force on Financial Technology holds a hearing on "[Examining the Use of Alternative Data in Underwriting and Credit Scoring to Expand Access to Credit.](#)"

The Ellis Insight

Jim Ellis reports on political news

President

Pete Buttigieg: South Bend Mayor Pete Buttigieg is topping his opponents in one category: money. Mr. Buttigieg raised over \$24 million in the 2nd quarter, more than any other candidate including former Vice President Joe Biden who raked in \$22 million.

Sens. Elizabeth Warren (D-MA) reported \$19 million, while Sen. Bernie Sanders (I-VT) posted \$18 million, and Sen. Kamala Harris (D-CA) raised \$12 million. Sen. Sanders, however,

retains the most cash in his account, \$27 million, with Mayor Buttigieg close behind at \$23 million. Sens. Warren and Harris have more in the bank than they raised in Q2, \$20 and \$13 million, respectively. Here, it is Mr. Biden posting the most disappointing cash-on-hand figure at \$11 million.

California Poll: Quinnipiac University went to the Golden State, site of the March 3rd primary that will yield the largest first ballot delegate count in the country (416), in order to test Democratic preference (7/10-15; 1,125 CA registered voters; 519 likely Democratic primary voters). The results post home state Sen. Kamala Harris to a small, but significant, 23-21% edge over former Vice President Joe Biden with Sens. Bernie Sanders (I-VT) and Elizabeth Warren (D-MA) posting 18 and 16%, respectively. South Bend Mayor Pete Buttigieg falls back here with only 3% support.

Fox Poll: The latest Fox News survey (7/7-10; 701 US likely Democratic primary voters) finds former VP Joe Biden commanding 35% support, back to his pre-June debate level, with Sens. Sanders and Harris posting the only other double-digit figures (14 and 12%, respectively). Here, Sen. Warren manages only 5% preference, just ahead of Sen. Cory Booker (D-NJ) and Mayor Buttigieg who record 3 and 2%, respectively.

MO Poll: Bucking the latest trends that portray former Vice President Joe Biden's lead to be narrowing, Remington Research released what could be the first poll of Missouri Democratic voters (7/10-11; 1,122 MO likely Democratic voters through an interactive voice response system). Here, Mr. Biden continues to enjoy a strong lead, walloping Sens. Elizabeth Warren (D-MA) and Kamala Harris (D-CA) 43-15-13% and then destroying Mayor Pete Buttigieg and Sen. Bernie Sanders (I-VT) who record just 5 and 4%, respectively.

NH Polls: Last week, Change Research released polls from the early voting states including New Hampshire, which hosts the nation's first primary vote. Their original poll (6/29-7/4; 420 NH likely Democratic primary voters) found Sen. Bernie Sanders (I-VT) leading Sen. Elizabeth Warren (D-MA), Mayor Pete Buttigieg, ex-Vice President Joe Biden, and Sen. Kamala Harris (D-CA), 26-24-14-13-13%. But, Change went back into the field over the July 6-9 period with a much larger polling sample (1,084 NH likely Democratic primary voters) and found the Granite State race flip-flopping to Sen. Warren. In this study, it is Warren leading 22-20-19-15-13% over Sanders, Biden, Harris, and Buttigieg, respectively.

New Hampshire's St. Anselm College then released their new small-sample survey (7/10-12; 351 NH likely Democratic primary voters) and publishes a much different result. Anselm finds Mr. Biden topping the field at 21%, followed by Harris, Warren, Buttigieg and Sanders at 18-17-12-10%, respectively. It appears clear that we have a budding five-way race in this important early trend-setting state.

CNN then teamed up with the University of New Hampshire, sponsors of the sometimes-unreliable Granite State Poll (7/8-15; 386 NH likely Democratic primary voters), to release yet another survey of the New Hampshire Democratic electorate. According to CNN/UNH, former Vice President Joe Biden holds a 24-19-19-10-9% edge over Sens. Sanders and Elizabeth Warren (D-MA) who are tied, with South Bend Mayor Pete Buttigieg

and Sen. Kamala Harris (D-CA) following. No other candidate even reaches the 3% support plateau.

Senate

Illinois: State Rep. Anne Stava-Murray (D-Downers Grove) has closed her US Senate fundraising committee, thus already ending her Democratic primary challenge to Senate Minority Whip Dick Durbin virtually even before it began. Ms. Stava-Murray, in rather bizarre fashion, announced her challenge to Sen. Durbin right after she won her State Representative seat and before she was sworn into office. Thus, it is with little surprise that her Senate campaign gained no political legs.

Tennessee: Now that former two-term Tennessee Gov. Bill Haslam and freshman Rep. Mark Green (R-Clarksville) will not pursue US Senate campaigns, speculation is building as to who might. Now expected to join the Republican Senate field is US Ambassador to Japan Bill Hagerty. The strongest GOP candidate in the race so far appears to be surgeon Manny Sethi. The top Democrat is attorney and Iraq War veteran, James Mackler. Sen. Lamar Alexander (R) is retiring after three terms.

House

CA-16: Last week, it was reported that Fresno City Councilwoman Esmeralda Soria was publicly considering launching a primary challenge to veteran Rep. Jim Costa (D-Fresno). Then, Ms. Soria followed through and announced that she will run for Congress. Rep. Costa, first elected to the House in 2004, has had two close general election campaigns, one in 2014 (50.7 – 49.3%) and another in 2010 in the former 20th District (51.7 – 48.3%), and only posted a 53-47% jungle primary result against GOP candidate Elizabeth Heng in 2018.

CA-21: In 2018, after leading the vote count until the very end when the outcome turned, former Rep. David Valadao (R-Hanford/ Bakersfield) lost his seat to newcomer agri-businessman T.J. Cox (D). The total vote count of just 862 ballots separated the two candidates in what ended as the lowest turnout seat among California's 53 CDs (113,616 voters).

Late this week, Mr. Valadao, who has been quiet since the election, filed a 2020 candidate committee with the Federal Election Commission. While this does not constitute a statement of candidacy, it is a necessary first step. Reported sources close to the ex-Congressman indicate that Mr. Valadao will run and plans to formally announce in August. For his part, Rep. Cox just reported raising \$708,501 through the second quarter with a cash-on-hand figure of \$483,837.

CA-50: Indicted San Diego/Orange County US Rep. Duncan Hunter (R-Alpine) has not yet gone to trial, but already five Republicans have announced their candidacies to replace him, all obviously anticipating there will be a special election early next year. The latest to join the field is investment consultant David Edick.

The investor joins Mayors Matt Rahm and Bill Wells of Temecula and El Cajon, along with former Escondido Mayor Sam Abed. Retired Navy SEAL and ex-congressional candidate Larry Wilske is also in the race. Waiting in the wings are former 49th District US Rep. Darrell Issa and state Assembly Minority Leader Marie Waldron (R-Escondido) who are possible candidates.

FL-23: Yet another Democratic incumbent is being challenged for the party nomination. At the end of last week, attorney Jennifer Perelman announced that she will oppose Florida Rep. Debbie Wasserman Schultz (D-Weston) in the 2020 Democratic primary. In 2016, law professor Tim Canova challenged Rep. Wasserman Schultz and, armed with presidential candidate Bernie Sanders' support, he raised just under \$4 million for his campaign effort. Yet, even with his strong resources, Mr. Canova could do no better than hold Rep. Wasserman Schultz to a 57-43% Democratic primary victory.

MA-1: Holyoke Mayor Alex Morse confirms that he is considering challenging House Ways & Means Committee chairman Richard Neal (D-Springfield) and will do so from the left. The Massachusetts state primary is not until September 15th after a May 5th candidate filing deadline, so Mayor Morse has plenty of time to make a decision. Holyoke is a city of only 40,000 people but lies as part of the Springfield/Chicopee population anchor region.

NV-4: Entrepreneur Lisa Song Sutton, who was Miss Nevada USA in 2014, announced that she will seek the Republican nomination to eventually challenge Rep. Steven Horsford (D-Las Vegas). Though the district leans Democratic, the campaign could become competitive.

NY-22: Another of the nation's 2018 closest campaigns occurred in an upstate New York congressional district. In the state's 22nd CD, freshman Rep. Claudia Tenney (R) failed to win re-election by a scant 50.1 – 48.3% margin opposite then-state Assemblyman Anthony Brindisi (D). Now, it appears that she, too, will join those 2018 losing candidates who will return for another try. The 22nd District is the second strongest Trump CD (55-39%) in the US that a Democrat represents. With the President again expected to run well here in 2020, this promises to be a race to watch regardless if Ms. Tenney decides to run.

TX-21: The Democratic Congressional Campaign Committee, House leadership, and most of the Democratic members of the Texas delegation are all lining up to sponsor an event next week to convince former gubernatorial nominee and ex-Ft. Worth state Senator Wendy Davis (D) to challenge freshman Rep. Chip Roy (R-Austin/San Antonio). It appears obvious that the die is cast for her to accept the support so expect Ms. Davis to declare her candidacy in conjunction with the event. Assuming she runs, the liberal Davis and conservative Roy would butt heads in a stark ideological contrast campaign.

WI-8: Two-term Rep. Mike Gallagher (R-Green Bay), who has romped to 63 and 64% victories in 2016 and 2018, respectively, has drawn a significant Democratic challenger. State Assemblywoman Amanda Stuck (D-Appleton) announced that she will oppose the Congressman next year, but his strong performance in the northeastern Wisconsin CD suggests that she will have an uphill climb in making this contest competitive. President Trump carried WI-8 in the 2016 national campaign, 56-39%.

Governor

Indiana: First-term Gov. Eric Holcomb (R) made official this week what virtually everyone in Indiana expected: he will run for a second term next year. The Governor looks to have clear sailing in the Republican primary. At this point, former state Health Commissioner Woody Myers and state Sen. Eric Melton (D-Gary) are announced candidates. Former 2012 and 2016 gubernatorial nominee John Gregg is again a potential candidate. Gov. Holcomb looks to be in a strong position for re-election.

Vermont: Former Vermont Education Department Secretary Rebecca Holcombe (D) announced this week that she will challenge Gov. Phil Scott (R) next year. She becomes the first significant Democratic candidate to come forward. It is presumed Gov. Scott will seek a third term. Vermont, like neighboring New Hampshire, limits its Governors to two-year terms. Therefore, even though Gov. Scott will look to run for a third time, he will have only served four years once his current term ends.

Wisconsin: Former Wisconsin Gov. Scott Walker (R), who was defeated in seeking a third term last year, announced that he will become the President of the conservative Young America's Foundation in early 2021. This suggests the Governor will be active politically in the 2020 cycle but not return to Wisconsin for the 2022 election and likely beyond. His new operation is headquartered in Virginia.

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[Kirk Pepper*](#) | [Joseph Salzverg](#) | [Todd Steibly*](#) | [Robert Stuart*](#) | [Jason Unger](#)

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