



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.

June 7, 2019

If I don't do it, somebody else will . . . we're tipping a glass today to the memory of Mac Rebennack, better known as [Dr. John the Nite Tripper](#), who passed away yesterday at the age of 77. A legendary performer and global ambassador for his hometown of New Orleans, he won six Grammy Awards and was inducted into the Hall of Fame—but how many people have Muppets created in their image? At least [Dr. Teeth and the Electric Mayhem](#) play on.

SEC approves Regulation Best Interest, Form CRS

At a long-anticipated meeting on Wednesday, the Securities and Exchange Commission voted 3-1 to approve [a package of rules and guidance](#) establishing the obligations of investment advisers and brokers to their customers. Regulation Best Interest (BI) goes beyond previous "suitability" standards for investment brokers to ban certain practices and address elements of the broker-customer relationship including cost considerations and conflicts in broker compensation. Form CRS is a streamlined disclosure document to provide retail customers with information about fees, costs, services, conflicts of interest, the applicable standards of conduct, and any previous legal or disciplinary history. The Commission also approved an interpretation that updates and clarifies the standards of conduct for investment advisers under the Investment Advisers Act of 1940, and an interpretation of the "solely incidental" aspect of the broker-dealer exclusion under the Investment Advisers Act, intended to offer clearer guidance about when a broker-dealer's activities cross the threshold to become investment advice. The SEC will be following up with a series of short educational videos explaining the new rules; additional updates to [investor.gov](#), including a landing page for Form CRS; and one or more retail

investor events later this summer to explain the new rules, which will take effect on June 30, 2020.

House Financial Services schedules action on flood insurance reform

After the House of Representatives approved a four-month extension of the National Flood Insurance Program on Monday, House Financial Services Committee Chairwoman Maxine Waters (D-CA) [announced](#) that the Committee would take up a comprehensive reform bill next week. “Flood insurance has long been an issue that defies partisanship,” she said in a speech on Wednesday. The committee released [draft legislation](#) today, which would extend the program through September 30, 2024, and create a demonstration program for a means-tested affordability program. It would also reauthorize the National Flood Mapping Program, and make reforms to and investment in mitigation programs.

Regulators need more information about leveraged lending, witnesses tell House panel

The House Financial Services Committee on Consumer Protection and Financial Institutions held a [hearing Tuesday](#) to ask whether leveraged lending presents systemic risks, and the witnesses said that regulators don't have enough information about these transactions to know. While Rep. Andy Barr (R-KY) argued forcefully that collateralized lending obligations (CLOs) don't present the type of risks created by mortgage-backed collateralized debt obligations (CDOs) in the last financial crisis, Subcommittee Chairman Gregory Meeks (D-NY) said that he wants to make sure the Financial Stability Oversight Council (FSOC) is paying sufficient attention to this market, and that the Office of Financial Research (OFR) is collecting the data necessary for appropriate oversight.

TSA moves forward with plans to add biometrics to passenger screening

The Transportation Security Administration is incorporating facial recognition technology into its plans to improve passenger screening, a representative told the House Committee on Oversight and Reform this week, at the [second in a series of hearings](#) the Committee is conducting on the use of this technology. TSA has been running pilot programs, separately and with Customs and Border Patrol, on the use of biometrics in screening international travelers. Its roadmap calls for the expansion of this technology to TSA Precheck and ultimately to other domestic travelers, but Assistant Administrator Austin Gould told the Committee that passengers will always be asked to “opt in” to facial recognition scanning. They will use this data only for screening, not for law enforcement, and will not retain the data collected. Committee Chairman Elijah

Cummings (D-MD) and ranking member Rep. Jim Jordan (R-OH) share concerns about the risks of this technology to citizens' Constitutional rights to privacy and due process, and the Committee's work in this area will continue.

Confirmations, Nominations, Departures

- The Senate voted 84-9 on Wednesday to confirm Dr. Heath Tarbert as the 14th Chairman of the Commodity Futures Trading Commission, succeeding J. Christopher Giancarlo. Tarbert had previously been Acting Under Secretary of the Treasury for International Affairs.
- Federal Reserve Board Governor Michelle W. Bowman [testified before the Senate Banking Committee](#) on Wednesday at a hearing on her nomination to serve a full term.

Next Week in Washington

- June 11 at 10:00 a.m. House Financial Services Subcommittee on Oversight and Investigations holds a hearing on "[An Examination of State Efforts to Oversee the \\$1.5 Trillion Student Loan Servicing Market.](#)"
- June 11 at 10:00 a.m. Senate Committee on Banking, Housing, and Urban Affairs holds a hearing on "[Data Brokers and the Impact on Financial Data Privacy, Credit, Insurance, Employment and Housing.](#)"
- June 11 at 10:00 a.m. The Securities and Exchange Commission hosts the [World Elder Abuse Awareness Day Fifth Global Summit.](#)
- June 11 at 2:00 p.m. House Financial Services Committee begins a [markup of eight bills](#), including the National Flood Insurance Program Reauthorization Act.
- June 12 at 10:00 a.m. House Financial Services Committee continues its [markup of eight bills](#), including the National Flood Insurance Program Reauthorization Act.
- June 12 at 10:00 a.m. House Committee on Homeland Security holds a hearing on "[Assessing FEMA's Readiness for Future Disasters.](#)"
- June 12 at 2:00 p.m. House Oversight Subcommittee on the Environment holds a hearing on "Recovery, Resiliency, and Readiness: Contending with Natural Disasters in the Wake of Climate Change, Part III."

The Ellis Insight

Jim Ellis reports on political news

President

Gov. Larry Hogan: Maryland Gov. Larry Hogan (R), who didn't appear to be overtly squelching political rumors that he was considering challenging President Trump, has finally put an end to the speculation. To the surprise of very few, Gov. Hogan confirmed that he will not be running for President in 2020. Whether his slight foray into presidential waters is a prelude to a potential 2024 national campaign, however, remains an unanswered question.

Emerson College NC Poll: Emerson College conducted a survey in the critical primary state of North Carolina, which will be among the entities voting in the March 3rd Super Tuesday primary. According to the Emerson data (5/31-6/2; 397 NC likely Democratic primary voters), former Vice President Joe Biden leads Sen. Bernie Sanders (I-VT), 39-22%, with Sen. Elizabeth Warren (D-MA) improving to place third with 15%. South Bend (IN) Mayor Pete Buttigieg and Sen. Kamala Harris (D-CA) trail with 8 and 5%, respectively. North Carolina has 110 first ballot delegates for the Democratic National Convention, making it the 9th largest delegation.

Texas Poll: Quinnipiac University went into the field in the Lone Star State (5/29-6/4; 1,159 TX registered voters) and finds former Vice President Joe Biden leading the Democratic primary field with 30% preference. Following are ex-Rep. Beto O'Rourke (D-TX) and Sen. Bernie Sanders (I-VT) with 16 and 15%, respectively. Massachusetts Sen. Elizabeth Warren (D-MA) is the only other candidate who breaks into double-digits at 11 percent. When paired with President Trump all results are close, but Mr. Biden is the only Democrat who places ahead, at 48-44%.

Senate

Iowa: Real Estate executive Theresa Greenfield (D), who was planning to run in the 3rd Congressional District last year until her nominating petitions contained falsified signatures causing her to withdraw, announced early in the week that she will return to the political wars and run for the US Senate. Ms. Greenfield is the first person to come forward in this race with the wherewithal to raise sufficient funding to conduct a statewide campaign.

Later, the Democratic Senatorial Campaign Committee's leadership announced that they are already endorsing Ms. Greenfield over attorney Kimberly Graham and

insurance broker and former congressional candidate Eddie Mauro. The winner of next year's June 2nd primary will then face first-term Sen. Joni Ernst (R) in the November general election.

Massachusetts: Business executive Steve Pemberton late this week announced his Democratic primary challenge to Sen. Ed Markey. Mr. Pemberton was abandoned as a child and raised in Foster families. He then was able to graduate from college, wrote a best-selling book about his experiences that later became the subject of a movie, and succeeded in the private sector. Sen. Markey is certainly favored for re-nomination and re-election, but Mr. Pemberton will likely make an interesting candidate.

Michigan: The Republican leadership had been attempting to recruit 2018 US Senate nominee John James to again run for the Senate, this time against first-term incumbent Gary Peters (D). Last November, Mr. James, a manufacturing company owner and retired US Army Ranger, held Sen. Debbie Stabenow (D) to a 52-46% victory, much closer than experts had predicted. Additionally, Mr. James raised over \$12 million for his race, an impressive number since he received very little outside support. Yesterday, Mr. James announced that he will return for the 2020 Senate race, and he will likely be the Republicans' top challenger.

Tennessee: Though Sen. Lamar Alexander (R) announced that he would not seek re-election back in December, no Republican had yet come forward to announce his or her candidacy. That has now changed. Dr. Manny Sethi, a surgeon who co-authored medical books with former Senate Majority Leader Bill Frist (R-TN), announced his candidacy yesterday.

Former Gov. Bill Haslam (R) had frozen the GOP field. He is reported to be still contemplating running, and now says he will make a decision sometime in the next few weeks. Originally, the ex-Governor, who left office in January after being ineligible to seek a third term, said he would decide in April. Attorney James Mackler is the lone Democrat in the race. Once the Republican field solidifies, the party's eventual nominee will become the favorite to hold the seat.

House

CA-22: Financial advisor and failed Fresno City Council candidate Phil Arballo announced his congressional candidacy to oppose Rep. Devin Nunes (R-Tulare) and moves forward with a public endorsement from Andrew Janz, the 2018 Democratic nominee who raised over \$8 million for his race and held the Congressman to a 53-47% victory. Currently, Mr. Janz appears to be the leading candidate to become Fresno's Mayor in the open seat contest later this year. Also in the Democratic race are Healthcare executive Bobby Bliatout and accountant Dari Rezvani.

GA-6: Former Rep. Karen Handel continues to draw Republican opposition. State Sen. Brandon Beach (R) was in the race before Handel, two Navy veterans, Ken Brown and Nicole Rodden, have previously declared, and now construction company owner Marjorie Taylor Greene said this week that she, too, will become a congressional candidate. The eventual winner will face freshman Rep. Lucy McBath (D-Marietta), who unseated Ms. Handel in November. At this point, it appears that the former Congresswoman is favored for the nomination, but her competition is formidable and the outcome, at this point, could be in doubt.

MN-7: Without any fanfare, western Minnesota Congressman and House Agriculture Committee chairman Collin Peterson (D-Detroit Lakes) filed a new FEC campaign committee for the 2020 election cycle, though he has yet to confirm that he will seek an 11th term. The signs, however, point to him attempting to continue his long congressional tenure. In the past few cycles, the Congressman was coy about whether he would run again all the way to the candidate filing deadline, so his actions this year are consistent with past behavior.

NJ-5: Montvale Mayor Mike Ghassali (R) declared yesterday that he will enter the Republican primary in hopes of challenging two-term Rep. Josh Gottheimer (D-Wyckoff). Though the GOP field is becoming crowded, Mr. Gottheimer is one of the better prepared Democratic incumbents and a prolific fundraiser. Regardless of the district's partisan nature (Trump '16: 49-48%), Rep. Gottheimer will be favored for re-election.

NY-12: In 2016, Rep. Carolyn Maloney (D-Manhattan) was one of several New York House members to repel what turned out to be a serious nomination challenge. This week, attorney and MeToo organization activist Erica Vladimer (D) announced that

she will challenge Rep. Maloney joining comedy show producer Lauren Ashcraft as official candidates. 2018 challenger Suraj Patel is another potential candidate. So is former White House aide Dawn Smalls. In any event, Rep. Maloney is favored for re-nomination, but she will have to wage an active campaign.

TX-32: Former Congressman Pete Sessions represented the Dallas area for 22 years until freshman Rep. Colin Allred (D-Dallas) defeated him last November. Now, Mr. Sessions is testing the waters to run again. But, he may not be alone in the Republican primary if he does run. Stories are surfacing that former Florida Congressman Allen West will soon announce his own candidacy for this Texas seat. Mr. West moved to Dallas after losing his Florida seat to head the National Center for Public Analysis, which has since gone out of existence. Thus, it is possible we could well see a Republican primary between two staunch conservative ex-Congressmen.

WA-6: Another Democratic House member is likely to face a political primary from his ideological left. In the latter part of the week, Bainbridge City Councilman Matthew Tirman (D) filed an exploratory committee to determine if he can raise adequate funding to challenge Rep. Derek Kilmer (D-Gig Harbor). Mr. Kilmer was first elected in 2012 from the Tacoma anchored seat, replacing 18-term Congressman Norm Dicks (D), who retired. Rep. Kilmer has yet to face a serious re-election challenge and it is yet undetermined if Mr. Tirman can mount the type of effort needed to deny the Congressman re-nomination.

Governor

Indiana: Yesterday, state Sen. Eddie Melton (D-Gary) announced that he is forming a gubernatorial exploratory committee to test his viability against first-term incumbent Governor Eric Holcomb (R). At this point, Sen. Melton is the first Democrat to come forward to take any official action. Two-time nominee John Gregg is mentioned as a possible candidate as is former Evansville Mayor Jonathan Weinzapfel, but neither of them looks to be making any discernible move toward entering the race.

Louisiana: The Remington Research Group released the findings of their Louisiana Governor's poll taken immediately after Gov. John Bel Edwards (D) signed the controversial heartbeat abortion bill. The poll (6/1-2; 1,471 LA registered voters through interactive voice response system) found that the abortion issue has yet to take hold because the numbers did not precipitously change from the organization's

previous poll conducted in March. In the current survey, Gov. Edwards would lead the 2019 jungle primary, 43-34-8%, over Rep. Ralph Abraham (R-Alto/Monroe) and developer Eddie Rispone (R), respectively.

When the two Republicans are isolated against Edwards, the Governor's numbers drop slightly against Abraham but improve when opposing Rispone. Paired against Rep. Abraham, the two would tie at 45% apiece. Opposite Mr. Rispone, Gov. Edwards would lead 49-38%. In March, Gov. Edwards led 47-45% over Abraham and 48-42% against Rispone.

Montana: Possibly as early as today, at-large Rep. Greg Gianforte (R-Bozeman) is expected to announce his 2020 gubernatorial candidacy. Mr. Gianforte held Gov. Steve Bullock (D) to a 50-46% victory in 2016, and the latter man, an official presidential candidate, is ineligible to seek a third term. Rep. Gianforte already has formidable Republican opponents. Attorney General Tim Fox and Secretary of State Corey Stapleton are both in the race, and with two congressional victories of under 51%, Gianforte's nomination is no sure thing. His gubernatorial declaration will make MT-AL the ninth open House seat for the coming election cycle.

Utah: During the week, former Congressman Jason Chaffetz (R) announced that he will not enter the open 2020 Utah Governor's race as many had speculated he would. Mr. Chaffetz indicated his media and public speaking career has blossomed so he will be taking a pass on the Governor's race. Former state House Speaker Greg Hughes (R) then said that he will announce his gubernatorial candidacy later in the year. Gov. Gary Herbert (R) is not seeking re-election and has already endorsed the most prominent announced candidate, Lt. Gov. Spencer Cox (R).

Additionally, Sen. Mitt Romney (R-UT) commented on the upcoming Governor's race by indicating that his son, Josh Romney, would not enter the race. The Utah state primary is scheduled for June 23, 2020.

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