2006 U.S. Mid-Term Elections
Outlook for the Next Congress

November
Congressional Overview

- Make-up of the new Congress
  - Leadership, Key Chairmen

- How the Congress will function
  - Gridlock? Working majority? Role of the Blue Dog Democrats and Mainstreet Republicans
  - How will the majority govern? What’s the general agenda?
  - How lobbying reform will impact advocacy

- How the Administration will function in this environment
Congressional Investigations

- **New Atmosphere** – aggressive oversight

- **Likely Topics** – Support agenda on Health Care, Energy and Antitrust, Government Contracts (especially Iraq), Corporate Governance

- **Typical Scenario** – Media Coverage, Congressional Hearing, Agency Investigation, Possible DOJ Referral
Congressional Investigations

Pitfalls for Corporations and Individuals

- Reputational Damage – can happen early
- Little time for internal investigation/fact finding
- Dealing with Congress vastly different from Courtroom
- Executives on the hot seat – beware perjury trap
- Need to cover all the bases – Democrat / Republican and Conservative / Moderate / Liberal
- A Cover-up Hurts the Most
Taxes and Executive Compensation

- New Ratios, Chairman, and Members of Tax Writing Committees

- Tax Dynamic for ’07
  - “Pay Go” means tax increases on some to “pay for” cutting taxes on lower and middle class
  - Intensive examinations of executive compensation and option “backdating”
  - Revenue Raisers focused on loopholes, the tax gap, oil companies, accounting methods, and companies doing business overseas
  - AMT reform a pressing issue
Health Care

• New Leadership of Health Care Committees

• Aggressive Agenda with Emphasis on Savings
  • Repeal Medicare Part D prohibition of government price negotiation with pharmaceutical companies
  • Prescription drug re-importation
  • PDUFA Reauthorization
  • FDA approval process and drug safety
  • Oversight of Medicare Advantage program
Health Care

• Aggressive Agenda with Emphasis on Savings (continued)
  • Examination of brand pharmaceuticals pricing and Hatch-Waxman
  • Oversight of non-profit hospitals
  • Federal funding for embryonic stem-cell research
  • Health insurance for uninsured

• Not on the Agenda
  • Medical malpractice liability reform
Financial Services

- New chairs and ranking members

- Jurisdictional tug-of-war between House Banking and Energy and Commerce?

- Agenda to be dominated by oversight and populist issues:
  - Mortgage products
  - Role of financial sector in preventing terrorism
  - Fannie Mae and Freddie Mac reform
  - Capital market regulation
Financial Services

- Agenda to be dominated by oversight and populist issues (continued)
  - Executive compensation – stock options
  - Consumer data protection
Other Key Issues

- **Energy** – Renewed focus on global warming; examination of royalties on production from federal lands; competitiveness of U.S. electricity industry; renewable energy sources; effects of speculative energy trading

- **Immigration** – Renewed push for comprehensive immigration reform; expansion in business visas
Other Key Issues

- **Legal Reform** – Affirmative efforts unlikely; defensive posture on class action reform, securities litigation, and bankruptcy

- **Trade** – Expiration of trade promotion authority in June 2007; potential for bi-partisan/bi-cameral legislation to address currency issues with China
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