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KELLEN WASHINGTON REPORT

“Liberals have passions. Conservatives have passions. Moderates have... lives.”

*- Charlie Cook, The Cook Political Report
At the National Press Club, November 30, 2010*

THE 2012 RUMOR MILL

With the midterm elections barely behind us and still over a month to go before new members are sworn into the 112th Congress, Washington insiders are already looking forward to 2012 and the outcomes those elections will bring. Two of the capital’s leading political analysts, Charlie Cook of the Cook Political Report and Bob Cusack, managing editor of The Hill and political correspondent for ABC, MSNBC and CNN, were at Washington’s National Press Club on Tuesday to voice some of those predictions.

Swiveling Senate Seats

In 2012, Democrats will have 23 Senate seats up for election, while Republicans will have only 10 of its seats up. And with the recent midterms spurring a GOP House takeover, sources are saying the Senate could be next. According to Charlie Cook, Tea Party activists have already started setting their sights on the 10 Republican seats in particular, with Sens. Dick Lugar (Ind.) and Olympia Snowe (Maine), as well as recently-elected junior Senator Scott Brown (Mass.) topping the Tea Party’s chopping block. Sen. Lugar became a prime Tea Party target this week when he voted against the proposed earmark ban, making him the only Republican up for reelection in 2012 to do so.

Tea for Two... or Three

While the Tea Partiers held strong in 2010, Charlie Cook pointed out a growing dichotomy within the group that may affect its voter turnout in 2012. Dividing them into two categories, the “lifers” and the “newbies,” Cook predicts that the Tea Party lifers, or those who have been following the political process for a long period of time, will continue to drive home the Tea Party principles. But the newbies, or those who were never politically involved until recently deciding to join the ranks, have set their expectations too high. For that reason, Cook predicts that if the Tea Partiers don’t see a quick ban on earmarks and a rapid repeal of Obama’s healthcare, the group’s newbies will lose interest and withdraw from the political process.

Meanwhile, Bob Cusack believes it could be ‘tea for three’ in the 2012 presidential election. Noting that if the Republicans don’t select a Tea Party-approved candidate, Cusack said the group will nominate a candidate of

its own and run as a third independent party, a move that would hurt both themselves and the Republicans, splitting the GOP ticket and helping Obama to win reelection.

Hillary 2012

Don't expect to see Hillary Clinton's name on the presidential ticket in 2012. Instead, Cusack said you may find her setting up shop over at the DoD, where, rumor has it, she'll be replacing current Defense Secretary Robert Gates.

Another Bush in the White House?

The *Economist*, one of the most respected weekly magazines, in its latest issue reviewed the many potential Republican presidential candidates for 2012. It concluded that the strongest nominee would be one who currently claims to be giving no thought to the idea: George Bush's older brother Jeb, the popular former governor of Florida. "For Mr. Bush, 2011 will be the year of a thousand phone calls from Republicans begging him to take the plunge. He will find it very hard to resist."

And the Nominee for GOP Vice Presidential Candidate Goes to....

Republican Senator-elect, Marco Rubio. According to Cusack, Rubio would serve as an ideal vice presidential GOP pick in 2012, for reasons including his great speechmaking, moderate Tea Party views, ability to capture the Hispanic vote and because he just won his Senate campaign in Florida, a crucial state for presidential elections.

OBAMA-BOEHNER COMPROMISE?

Back to the future... January 2011 will prove to be "radically different" in Washington, Cusack predicts. "The relationship between Obama and soon-to-be House Speaker John Boehner will be fascinating," he added, noting that while both try to come across as being cool and calm, tempers may flare, as we can expect to see Boehner take up a major fight on healthcare reform.

But it won't be all flying-fists for the pair. Cusack said the two will work to compromise on several key issues including: energy, trade, border security and the federal deficit.

Cusack also suggested that Obama may already be on the path to compromising, when, earlier this week, he took up a Republican idea by announcing a two-year pay freeze to all civilian federal employees, a move that the White House said would save \$28 billion over the next five years.

But according to former President Jimmy Carter, Obama will put the brakes on his attempt at bipartisanship. In an interview with CBS News this week, Carter said he thinks Obama will "be a much tougher proponent of what he stands for in the future, giving up on Republicans' support and taking his case to the American people."

THE DIFFERENCE A DAY MAKES

On Tuesday, it was all sweetness and light. As the President and congressional leaders emerged from their first post-election meeting, Obama said "I thought it was a productive meeting. People came to it with a spirit of trying to work together and I think it's a good start as we move forward." Senate majority leader Mitch McConnell said "we had a very frank conversation. Democrats and Republicans and the President understood very clearly what the American people had to say on election day." They agreed that negotiators from each side would begin work immediately to develop an agreement on taxes that would win wide bipartisan support.

Tuesday evening, however, incoming House majority leader Eric Cantor warned that “if President Obama refuses to extend the (Bush) tax cuts for all earners, the first bill we put on the floor in the new Congress will retroactively make sure no one gets a tax hike.”

That was Tuesday. On Wednesday, the Associated Press reported that all 42 Republican senators threatened to block virtually all legislation until the expiring Bush tax cuts were extended and a bill was passed to continue funding the federal government. “We cannot agree to prioritize any matters above the critical issues of funding the government and preventing a job-killing tax hike,” they said in a letter to Senate majority leader Harry Reid.

By Thursday, congressional aides of both parties were predicting that the likely outcome of all the discussions would be agreement to extend the Bush tax cuts for everyone for at least a year, plus a continuation of “temporary” unemployment benefits for the jobless, which expired this week, and extension of various other tax breaks for business and individuals, such as middle-class protection from the alternative minimum tax.

A WARNING TO THE EPA

The top Republican on the House appropriations committee, Rep. Jerry Lewis, warned EPA administrator Lisa Jackson in a letter that he intends to conduct “unprecedented levels of oversight when the new Congress convenes in January.” A top priority, he said, would be to block EPA’s proposal to regulate greenhouse gases unless Congress passes bipartisan legislation specifically providing the authority to do so. He also threatened to de-fund other initiatives.

“In addition to scrutinizing the agency’s entire FY 2012 budget, with particular attention on the agency’s rule-making process, the House appropriations committee will be exercising its prerogative to withhold funding for prospective EPA regulations and defund, through the rescission process, many of those already on the books.”

EPA administrator Lisa Jackson responded to these various warnings with a feisty op-ed in Thursday’s Wall Street Journal directed at “groups and individuals who threaten to roll back the EPA’s efforts.” “Last month’s elections were not a vote for dirtier air or more pollution in our water,” she declared. “In these politically charged times, we urge Congress and the American people to focus on results from common-sense policies, not inaccurate doomsday speculations.” Her politically charged response seemed to set the stage for some lively hearings in the new year.

FURTHER DELAY ON FOOD SAFETY

It was all to have been very simple. The Senate finally passed the long-awaited food safety bill on Tuesday, the House was going to drop its own version and adopt the Senate version for speedy approval by the president, who had promised to sign it into law. But this is Washington and things are never quite that simple. It turned out the Senate version had preempted the House’s power of the purse by imposing certain fees on importers, farmers and food processors. Only the House can prescribe taxes, so the question arose (and was being debated as we went to press): are these fees actually taxes? If so, the bill would have to go back to the Senate, amended and voted on again. With time running out in the lame-duck session, senators groaned at the thought.

Meanwhile, the Wall Street Journal – famous for its aversion to unnecessary regulations – groaned at the very thought of the bill at all. In an editorial Thursday, it said the bill would only open the door for even more unneeded regulation, besides giving awesome new powers to the Food and Drug Administration, “which does nothing well.” Plus it was clearly unfair to small farmers and small food concerns. Will the bill finally be passed before the end of the lame-duck session? Stay tuned.

Trade associations and other non-profit organizations were already disappointed, incidentally, that the Senate rejected amendments to solve the “1099 problem,” the provision in the health reform legislation that would

force associations and others to report to the IRS every transaction over \$600 – a huge and costly administrative burden. It is now likely to be taken up by the House as one of its first orders of business in the new year.

Our final rumor for the week:

Carol Browner, former EPA head and currently the environment and energy czarina in the White House, is said to be in line for promotion to deputy chief of staff to the President. She was a longtime assistant to Al Gore.