

Memorandum

To: Republican Leadership
From: Tom Davis
Re: Where We Stand Today

The loss of three straight special elections, in once solidly Republican districts cannot be explained simply by “bad candidates”, or by being out-organized. They are canaries in the coal mine, warning of far greater losses in the fall, if steps are not taken to remedy the current climate.

These races were not in New Jersey or New England, where Republican erosion has taken place over the last decade. They were in the heart of the Bible Belt, the social conservative core of our coalition. These are areas John McCain will win easily, in November, but a Congressional GOP brand tied to George Bush is struggling.

In Illinois, our flawed candidate was the hand picked choice of Speaker Hastert. In Mississippi, there was no lack of effort by the NRCC and loyal 527s to resurrect a second place finisher to a run-off victory. In Mississippi, the GOP had a destructive primary with regional fissures. Senator Wicker’s support was tepid, at best, and the DCCC ran all-out. Historically, special elections trend slightly against the part of the President.

Dave Obey, Stephanie Herseth, Ben Chandler, and Gene Taylor, among others, won special election in GOP districts, with Republican Presidents. However, losing seats with 25% Bush margins is indicative of far more serious fundamental problems. In the UK, Bye-elections are often harbingers of the next general election, and with our National elections in six months, there is not much time to change course.

The political atmosphere facing House Republicans this November is the worst since Watergate and is far more toxic than the fall of 2006 when we lost thirty seats (and our majority) and came within a couple of percentage points of losing another fifteen seats. Whether measured by polls, open seats, money, voter registration, generic ballot, Presidential popularity or issues, our party faces a steep climb to maintain our current numbers.

This slope is exacerbated by the fact that little has changed to improve our image over the past eighteen months and that voters looking for change are unlikely to embrace the same-old, same-old, which was overwhelmingly rejected in the last midterms. Members and pundits waiting for Democrats to fumble the ball, so that soft Republicans and Independents will snap back to the GOP, fail to understand the deep seeded antipathy toward the President, the war, gas prices, the economy, foreclosures and, in some areas, the underlying cultural differences that continue to brand our party.

This memorandum attempts to present an honest assessment of where our party stands today, six months before the elections and to offer some constructive (albeit

controversial) alternatives as to how we can proceed. It should be apparent from the data, that without some meaningful changes in direction, the GOP is heading for losses bordering on another twenty seats in the House and up to a half dozen Senate seats.

A. The GOP Brand

Members instinctively understand that the Republican brand is in the trash can. I've often observed that if we were a dog food, they would take us off the shelf. But just how bad is it?

1. Polling

The most recent CBS/New York Times poll (April 25-29) laid it out. The Democratic Party has a 52% Favorable, 41% unfavorable rating. The Republican Party has a 33% Favorable and 58% unfavorable rating. Translating the data into Congressional elections, voters were asked which party they intend to vote for in November's House elections. The results:

| | <u>Now%</u> | <u>October 06%</u> |
|------------|-------------|--------------------|
| Democratic | 50 | 52 |
| Republican | 32 | 34 |

Moreover, among Independents, the GOP favorable is 25% and unfavorable is 60%. Indies rate the Democratic Party at 45% favorable and 43% unfavorable. The "Good News", if you can call it that, is that Independents choose Democratic Congressional candidates by a margin of only 38-27%.

If vote for U.S. House:

| | Republican | Democrat | Independent | Total |
|------------|------------|----------|-------------|-------|
| Republican | 78 | 1 | 27 | 32 |
| Democrat | 8 | 91 | 38 | 50 |

The latest Washington Post/ABC poll (May 12, 2008) asks, "which party do you trust to do a better job coping with the main problems the nation faces over the next few years?" Democrats are chosen by a 53-32% margin.

Democrats are winning by default. They have not made the sale to swing voters but independents know they do not want us!

A poll for NBC News and The Wall Street Journal, conducted by Hart and Newhouse, showed similar trends:

Q. What is your preference for the outcome of this year's Congressional election?

| | 4/08 | 10/06 | 10/04 | 10/02 | 10/94 |
|--------------------|------|-------|-------|-------|-------|
| Republican Control | 34 | 37 | 43 | 43 | 44 |
| Democratic Control | 49 | 52 | 44 | 42 | 38 |
| Not Sure | 17 | 11 | 13 | 15 | 18 |

Other polls showed slightly more encouraging results, for Congress:

| | <u>Rasmussen</u> - 4/4 | <u>Democracy Corp</u> - 3/27 |
|------------|------------------------|------------------------------|
| Republican | 37 | 40 |
| Democratic | 43 | 53 |

2. The President and Congress

As the head figure of the Republican brand, President Bush continues to flounder. Although other Presidents have experienced low points that are almost as bad, this President's lower ratings have been sustained over a long period of time. The mold has hardened which is expressed by the very positive and very negative numbers. "Very negative" ratings indicate and fuel energy on the ground to "throw the bums out", as expressed in turnout, volunteers and cash raised.

The most telling current numbers are:

Hart/Newhouse

| | <u>5/08</u> | <u>10/06</u> | <u>10/04</u> |
|-----------------|-------------|--------------|--------------|
| Right Direction | 15 | 26 | 39 |
| Wrong Direction | 73 | 61 | 48 |

These numbers are directly reflected in the approval ratings of President Bush, which continue to be anemic:

CBS News/New York Times

| | Overall | Economy | Iraq |
|--------------------|---------|---------|------|
| Approve of Bush | 28 | 21 | 29 |
| Disapprove of Bush | 65 | 74 | 64 |

Hart/Newhouse (Overall)

| | | | |
|------------|------|-------|-------|
| | 5/08 | 10/06 | 10/04 |
| Approve | 27 | 39 | 49 |
| Disapprove | 66 | 57 | 47 |

Hart/Newhouse

| | | |
|------------|---------|------|
| | Economy | Iraq |
| Approve | 21 | 31 |
| Disapprove | 73 | 63 |

In this same poll, the intensity of the Presidential approval ratings is even worse:

| | | |
|------------------|---------------|---------------|
| | Very Positive | Very Negative |
| Bush | 12 | 42 |
| Clinton | 20 | 25 |
| McCain | 11 | 13 |
| Obama | 23 | 8 |
| Republican Party | 8 | 26 |
| Democratic Party | 17 | 17 |

The May 12th Washington Post/ABC poll showed President Bush at 15%, Strongly Approve and 52% Strongly Disapprove.

Reflecting the National mood, Congress's approvals are also low, although the Republican minority fails to benefit:

CBS News/New York Times

Congress's Job Handling

| | |
|------------|----|
| Approve | 21 |
| Disapprove | 68 |

Democrats are not winning, we are losing. A strategy of waiting for Democrats to fumble the ball is high risk at this point. Congressional disapproval ratings give us some opening to make the point that Democrats aren't getting the job done. However, antipathy toward President Bush and the GOP brand make this a tall order. Failure to fundamentally change the GOP brand can lock us into a long period of minority status. Change is the order of the day and voters are willing to gamble on change against a party and President they dislike intensely.

B. Turnout and Registration

Given the strong intensity to the President and the Republican brand, turnout generation is much easier for Democrats than Republicans. The old adage “people vote against” has spurred off-year election gains for Democrats in New Jersey, Virginia and Kentucky (although a flawed Gubernatorial candidate probably had more to do with a decisive loss in the Blue Grass state). Conversely, the election of Bobby Jindal, in Louisiana, had more to do with state issues than the National agenda.

Voter turnout in Presidential primaries has been overwhelmingly Democratic. In states where Independents and Republicans can choose their ballot in an “open primary” voters are opting for the Democratic ballot. Certainly, the shorter GOP nomination battle and the vast Democratic spending advantages have helped fuel this phenomenon, but the fact remains that even in non-presidential primaries (Miss 1, for example) Democratic participation is up. Republican participation is down.

From New Hampshire and Iowa, to South Carolina, voters are picking Democratic ballots. Moreover, Democrats are out registering Republicans in record numbers. In California, Democratic registration has jumped from 42.7% to 43.5% over the past six months. This is a 469,000 gain from 2004, while the GOP has lost 109,000 voters. Ventura and Stanislaus Counties’ registrations have now moved back into the Democratic column.

In Colorado, over the past four months, Democrats have gained 7,000 voters, Independents have gained 5,000 voters and the GOP has gained 2,000 voters. In Wyoming, over the last six weeks, Democrats gained 4%, while Republicans dropped registration. From Nevada to Pennsylvania, Democratic registration continues to significantly outpace the GOP.

C. The Race for Money

No where is the Democratic surge more demonstrable than in the fundraising totals. From the Presidential race to the Courthouse, Democratic contributors are opening up their checkbooks in record amounts. From the grass roots to K Street, Democrats are opening up a fundraising lead that will give them a larger microphone down the homestretch to define issues, to register and turnout voters and to recruit workers and candidates. ONLY at the National Committee level have Republicans outraised Democrats, but the difference in fundraising between Barack Obama and John McCain will dwarf any advantage the GOP may hold at the National Committee level.

The chart below shows cash-on-hand figures for the National parties:

Cash On Hand (March 31, 2008)

| | |
|--------|----------|
| RNC | \$31.0 M |
| DNC | \$ 5.3 M |
| NRCC | \$ 7.2 M |
| DCCC | \$44.0 M |
| RSCC | \$17.3 M |
| DSCC | \$37.8 M |
| Obama | \$51.1 M |
| McCain | \$11.6 M |

These numbers are daunting and troubling and are the result of a confluence of several factors:

- (1) Abandonment of many traditional GOP interest groups or a hedge strategy to “buy in” on a perceived longer term Democratic majority. For example, Pharma, UPS, government contractors and FED Ex are now giving strategically to Democrats for “protection money”.
- (2) GOP leaders turned lobbyists, from Bob Livingston to JC Watts, are giving Blue. Are there any Democratic lobbyists returning the favor?
- (3) Net roots and money from the internet have swelled Democratic coffers, from the Obama campaign, to their Red to Blue programs, giving Democrats huge fundraising advantages across the board. Much of this is fueled by a strong Democratic desire to seize power after eight years of Bush and Cheney, coupled with a strong disappointment among grass roots Republicans at the party’s performance in office. Governance is a tough business requiring tough choices and holding together coalitions of economic and social conservatives is difficult to sustain.

Immigration pits our business wing against our grass roots wing. The War has turned many educated, affluent Republicans away. Spending priorities, scandals, gas prices and home value declines leave little for Republicans to be enthused over, particularly when our ability to draw issue lines and force choices by Democrats is frustrated by House Rules, inarticulate and unfocused national leadership and finger pointing.

- (4) Incumbent giving was a Republican invention from 1994 to 2004. We outraised Democrats because we were more committed to keeping our majority and the attendant perks of leadership. But guess what? We are being badly outraised by Democratic members’ contributions.

Democrats are giving more because they like their majority status; they want to keep it. Republicans don’t think they can win this time. Moreover, most Democratic

members do not have re-elects that require they spend their money on themselves – particularly senior members on A committees. Republican incumbents are nervous and don't want to give away their money if they may need it, in October.

Democrats are finding it easier to raise money. Republicans are finding it tougher to raise money in the minority. And, Democrats punish and reward party contributors. Republicans haven't done so in the past and do not have the perks and appointments they could disburse that they had when they were in the majority.

The GOP ranks have started to splinter into an “everyman for himself” psychology. This is not conducive to the teamwork necessary to close the financial gap.

- (5) Labor unions, long the mainstay of the Democratic Party have gone even deeper into their members' pockets to ensure Democratic majorities. Not resting on their laurels, labor has upped the ante to Democrats and the leadership has delivered. From Card Check, to Columbia Trade, Democrats have delivered and labor has responded, with cash, enhanced 527s and ground troops. The Democratic financial advantage has been amplified with increased money from Labor. Ironically, the Democrats are not paying any price with Business, as Business PACs have given more to Democrats, not less.

Liberal and Democratic use of the internet has far outperformed conservative and Republican deployment of the same. Failure to invest in on-line funding over the last two cycles has put the GOP behind the technology eight ball. This doesn't even address the numerous 527s dominated by the left.

At this point, without a major redirection, our allies will put their resources behind holding the Presidency rather than what appears to be a fruitless effort to take back the House. Investments in a filibusterable Senate appear to be a better gamble for K Street than House Republicans.

A look at key House races shows Democratic candidates much better funded than their GOP counterparts. This is in addition to the major advantage held by the Congressional campaign committees and their liberal 527s. Even second tier Democrats have substantial fundraising cash on hand, allowing a well stocked DCCC to put races in play that are not currently on radar. The following chart illustrates the point:

| <u>District</u> | <u>Republican COH</u> | | <u>Democrat COH</u> | |
|-----------------|-----------------------|--------|---------------------|--------|
| California 04* | McClintock | \$125K | Brown | \$590K |
| California 11 | Andal | 531K | McNerny | 1.153M |
| Florida 16 | Valeche (pr.) | 589K | Mahoney | 1.032M |
| | Rooney (pr.) | 442K | | |
| Florida 24 | Feeney | 549K | Kosmas | 581K |
| Idaho 1 | Sali | 124K | Minnick | 327K |
| Illinois 10 | Kirk | 2.25M | Seals | 745K |

| | | | | |
|--------------|-----------|--------|----------|------|
| Indiana 3 | Souder | 293K | Montagna | 267K |
| Michigan 7 | Walberg | 604K | Schauer | 751K |
| Missouri 6 | Graves | 1,132M | Barnes | 954K |
| New York 29 | Kuhl | 355K | Masas | 565K |
| Virginia 10 | Wolf | 735 K | Feder | 700K |
| Washington 8 | Reichardt | 695K | Burner | 921K |

*Ose – self-funder

This list is not exhaustive, but demonstrative of the second tier funding Democrats have had to enable them to expand the playing field after Labor Day. House elections at the macro level are wars of attrition and the more resources one side have, the more likely they are to put the other side on defense. I will discuss this in more detail later but the overwhelming financial advantage House Democrats have enables them to target more races, do more polling, make smarter decisions and ultimately build on their majority. They are moving from defense, where they should be after their 2006 sweep, to offense.

D. The McCain/Obama Factor

Before Republicans get too carried away with the fact that, even though things are bad, we may win the Presidency and that can rescue us, a few observations about coattails are in order.

The fact is that even when a party is re-elected to the presidency, few national coattails exist. The following chart exemplifies this:

| Year | Candidate | % | House | Senate |
|------|------------|------|-------|--------|
| 1956 | Eisenhower | 57.4 | -2 | -2 |
| 1964 | Johnson* | 61/1 | -36 | -2 |
| 1972 | Nixon | 60.7 | +12 | -2 |
| 1984 | Reagan | 58.8 | +16 | -1 |
| 1988 | Bush | 53.4 | -2 | N/C |
| 1996 | Clinton | 49.2 | +7 | -2 |
| 2004 | Bush | 50.7 | +3 | +4 |

The 1964 election is an aberration with a nationalized environment around the GOP nomination of Barry Goldwater, who sought to realign the party and in so doing, became anathema to vast swaths of the country. Republicans who distanced themselves from Goldwater, like Hugh Scott, George Romney, etc., survived but many did not. The 2008 election more likely resembles 1988 (Reagan's third term) than anything else.

Generally, when voters re-elect a President, they re-elect the Congress, too. This year, to the extent McCain is elected, it will be in spite of his party's brand name. McCain has his own branding and it is not consistent with Congressional Republican branding. Much

of McCain's popularity is because he has stood up to his own party and shown independence and not because he is the Republican flavor of the month.

Of course, Democrats running in tandem with Obama, particularly in blue collar and southern districts, create their own exposures, but without a major faux pas by the candidate or a major retooling by Congressional Republicans, McCain's coattails will be short.

E. Cultural Alignments

No Democrat since John F. Kennedy has been elected President who wasn't from the South. Lyndon Johnson, Jimmy Carter and Bill Clinton were all southern politicians. Michael Dukakis and John Kerry, darlings of the liberal elites, didn't sell in the south and didn't sell in southern Ohio, or western Pennsylvania.

Cultural attitudes shape voter attitudes, and the urbane Swarthmore educated Dukakis and Yale, John Kerry, lost handily in middle America. Cultural issues have always been a part of the American political landscape, emerging, at times, in starkly partisan alignments.

Since the Civil Rights revolution of the 1960's and the Vietnam War, cultural elites have trended Democratic, with many populist lower income whites often moving into the Republican column. Southern Presidential nominees, with histories of tapping rural voters, have often kept lower income whites in the Democratic camp, while nominees more steeped in academia have faltered.

Barrack Obama is a quintessential cultural liberal - the candidate of Hyde Park, the University of Chicago and Harvard. Educated upscale voters from both parties, as well as independents of similar backgrounds, identify with his style and rhetoric. Blue collar voters aren't so sure.

Exit polls in West Virginia showed that two thirds of Clinton supporters were unwilling to commit to Obama in the fall – and that's just among Democrats! With an economy perceived to be failing, these voters should be easy prey to ANY Democrat, but they're not. Herein lies the key for the McCain campaign, and potentially for alert Republican Congressional candidates.

Over the last twelve years, partisan alignments have moved away from wealth and economics to cultural and social issues. Some of the wealthiest precincts in America, from McLean, Virginia to Beverly Hills; from Potomac, Maryland to Beacon Hill; from Newtrier to Shaker Heights, voted for John Kerry by substantial margins. But Harlan County (Bloody Harlan), Kentucky, Bluefield, West Virginia and most of Appalachia voted overwhelmingly for Bush.

Wall Street givers have trended Democratic for over a decade and such establishment icons as the New York Times, Harvard and even the Oracle of Omaha, now tend to be reflexively Democratic. Who is the establishment? Who are the change agents?

The 2004 Presidential election painted a “stark picture”; the closer you lived to a big city, the larger the John Kerry percentage. Even traditional Republican cities, like Columbus, Indianapolis, Charlotte and San Diego went for Kerry. Inner suburbs, regardless of wealth, went for Kerry. Outer suburbs went for Bush. Of the 100 fastest growing counties in America, in 2004, most of which were on the fringes of suburbia – Bush carried 97 (losing only Las Vegas, Nantucket and Saquache, CO).

The Red-Blue map of the 2004 election shows rural America overwhelmingly Bush, except for some upper Great Lakes counties. The exceptions were college towns, majority-minority counties (Black, Native American, Hispanic) and Granola Belt art and recreation centers. The following charts illustrate this:

GOP Cities

| | Bush % 2000 | Bush % 2004 |
|---------------------------|-------------|-------------|
| Charlotte-Mecklenberg, NC | 50.6 | 44.3 |
| Marion County, IN | 49.2 | 48.6 |
| Franklin County, OH | 47.8 | 45.1 |

College Towns

| | Kerry % - Town | Kerry % - Statewide |
|---------------------|----------------|---------------------|
| Missoula, MT | 51.4 | 38.6 |
| Hanover, NH | 77.4 | 50.2 |
| Boulder, CO | 66.3 | 47.0 |
| Johnson County, IA | 64.0 | 49.0 |
| Monroe, IN | 53.4 | 39.3 |
| Benton, OR | 58.4 | 51.3 |
| Charlottesville, VA | 71.8 | 45.5 |
| Douglas, KS | 57.1 | 36.6 |
| Clarke, GA | 58.1 | 41.4 |
| Amherst, MA | 84.3 | 61.9 |

College towns, socially and culturally liberal, artsy, and avant-garde provide huge margins to Democratic candidates. They attract not just liberal professors and students, but the slackers and hangers-on, the virtual protesters, the health food store owner – not motivated by taxes or trade, but culturally and socially liberal even as the surrounding counties stay overwhelmingly conservative.

Granola Belt Counties

| | Kerry% - County | Kerry % - Statewide |
|--------------------------|-----------------|---------------------|
| Pitkin, CO (Aspen) | 68.4 | 47.0 |
| Eagle, CO (Vail) | 52.6 | 47.0 |
| Blaine, ID (Sun Valley) | 59.1 | 30.3 |
| Teton, WY (Jackson Hole) | 52.6 | 29.1 |
| Taos, NM | 74.1 | 49.0 |
| Coconino, AZ | 55.9 | 44.4 |

Art colonies like Taos, NM are similarly culturally liberal and have come to identify with the Democratic Party. Jackson Hole, WY (Teton County) voted 52.3% for Bush, in 2000, although it gave 7.3% to the Green Party. Similarly, Blaine County gave 6% to Nader and Pitkin gave 13%.

Black, Hispanic and Native American counties stayed Democratic despite their rural status, although rural Hispanics were not as Democratically inclined as their urban amigos.

I point this out because Obama's appeal is to the liberal cultural base of the Democratic Party, not to its liberal economic base. His connection to high income suburbs, the granola belt and college towns, is strong, but his connection to poorer whites, rural voters and other voters who may be susceptible to the Democrats' message on the economy is not yet demonstrated. Conservative value voters are a long way from being sold on Obama, even while they feel pinched by global trade, a soft housing market and high gas prices. But Republicans have to hold these voters to have any chance in 2008.

The Bush campaign focused like a laser on these voters, whether it was mailing the subscription list to "Guns and Ammo" magazine, to advertising on Christian Radio, to voter registration drives at conservative churches. In 2004, it was all about "the base" and driving turnout.

2008 is different. Demographically, the nation is more diverse and more urbanized than in 2004. The Iraq war has proved to be the ultimate cultural issue, fueling and giving oxygen to the cultural left, as well as planting doubts in many swing voters minds about the direction of the country. The economy is softening and gas prices are skyrocketing, giving Obama an opening to court conservative value voters who are hurting economically. Fortunately, Hillary Clinton has driven a wedge between these competing constituencies, keeping them in play at the Presidential level. It begs the question of how these voters will vote in Congressional races.

Moreover, John McCain is not a polarizing figure. One could argue he is the opposite – moderate, bi-partisan, and unifying, which makes his claim on value voters different from Bush. How these lunch-bucket Democrats, who are culturally more conservative, vote this fall is the key to victory.

The wine and Chablis culturally liberal voters have made their pick...Obama. They, along with African Americans, form the nucleus of the money, the organization and the energy for Democrats this year. His talk of hope and change at 30,000 feet (I call it "Happy Talk"), though short on specifics, captures liberal anxiety about the direction of the country.

The coalition of cultural liberals and African Americans assembled by Obama has left out vast swaths of middle Americans concerned about the war, gas prices and the economy. But they are hardly ready to embrace McCain, let alone Congressional Republicans. Harsh cultural appeals on abortion and guns may have less to do with bringing these Democrats and Independents on board, than reassuring them that we have answers to these other issues.

It is clear from Congressional voting in special elections, in once safe districts in Illinois and Louisiana, that voters at the Congressional level, when given a choice, do not want more of the same. Our attacks on Democrats for taxes do not ring true. Our message is stale. Without a clear change in direction, Congressional Republicans can count on more Louisiana's and Illinois's. If we were a business that had been losing market share, would we simply wait for our competition's product to blow up? Or, would we re-tool, innovate and make the appropriate changes. They don't like our dog food. They may not like the Democrat's either, but for now, and through November, they appear to be buying it.

My suggestion? Don't just put a new wrapper on the product and hire a new sales crew. Let's revamp, consistent with our principles and remember that this election is about independent voters. Even if we get every Republican out to vote, we lose without Independents. Forget the Democrats. They've been waiting to get back since the Florida recount. It's all about the Independents, or we drop to a 170-180 seat permanent minority. Yes, we'll be comfortable in our caucus, but we'll be irrelevant for the next decade.

Charley Cook put it best: "The GOP playbook is obsolete. Spouting an undiluted conservative message doesn't consistently work anymore, even in some of the nation's reddest districts."

The Next Steps

Clearly, the same old, same old won't work. Voters want change. We need to change. Strategically, we have certain assets that haven't been utilized. The President has the big microphone. Bill Clinton's political obituary was written after the '94 mid-terms. But, he won re-election two years later. He turned the focus off himself and put it on Congress – a GOP held Congress. Although he didn't win a Congressional majority, he decided to cooperate with the Republican congress on Welfare Reform, unfunded mandates and other issues. He triangulated House Democrats.

Harry Truman took a different tact. Although the 80th Congress passed Taft-Hartley (over his veto), the Marshall plan and actually was very productive, Truman called the GOP led House and Senate into a special session in 1948 to enact their legislative agenda. When they couldn't he ran against the "Do Nothing Congress" and won! And he won back Congress, as well.

Gas prices – There is no immediate relief in sight. Democrats not only have no answers, they are part of the problem. Nigeria and Cuba are ready to drill off our shores, but Congressional Democrats say no. ANWAR and oil shale offer new sources, but environmentalists say no. At \$124 per barrel, who are we kidding?

The President should send an emergency energy package to Congress and dare them to act. It should include some global warming initiatives to keep it credible, such as government's utilization of green buildings and use of energy efficient vehicles. But it should also include off shore energy exploration and oil shale production, plus more long-term research dollars on alternative fuels, such as cellulosic and wind and extended tax breaks for energy efficiency. It could or could not offer immediate tax relief at the pump. You don't want it to be too gimmicky. But, it puts us on offense and spotlights Democratic failures. And, it gives voters some hope that somebody is doing something.

I think this should also be tied to more energy independence. Appeal to Americans that we should not be dependent upon dysfunctional terrorist states for our energy supply in ten years: more domestic production, more alternative energy, cleaner energy and less dependence on Chavez, Nigeria, Iran and Saudi Arabia.

Home Values

You have to hand it to Barney Frank. He produced a bill that gives homeowners hope. Never mind that it puts the government on the hook for \$300 billion in loan guarantees and doesn't solve the problem. What is our reaction? Our leaders walk out of a White House/GOP conference with the President and vow to uphold a veto! That says a lot. Where is our proposal? The President needs to send our emergency package to the Democratic Congress for action (or inaction which is likelier). We need to be on offense. The White House and, by extension, the Republicans in Congress end up taking the blame for the business cycle, subprime excesses and collapsing banking institutions. Paulsen has acted responsibly but no credit enures to Congressional Republicans.

Immigration

At least the Republican Congress reported out immigration bills in each Chamber (though vastly different). The Democrats have just punted. Rather than deal with a tough issue, they punt. This can be a gift horse.

Immigration is one of the most polarizing issues of our time. Hispanics and business leaders want reform. Lou Dobbs wants reform. Taxpayers want reform. Democrats get away with doing nothing because we're afraid of the issue.

Remember, Hispanic voters are a swing group in this election and future elections. John McCain, being from a border state, may be out of sync with many Republicans but he has standing among Hispanics. Barack Obama has not made the sale to Hispanic voters. Thus, this issue is a tar baby for anyone who touches it, with land mines everywhere. But the Democrats control Congress and are doing nothing. This needs to be highlighted. Put the onus on them to produce a bill. Put them on defense.

American Competitiveness

Do we want to make our economy stronger over the next decade? Send Congress a competitiveness agenda which includes Columbia, Panama and Korean Free Trade Agreements; education reform and immigration laws that allow an Indian PhD to stay here after his education is finished to start his company, instead of sending him back to Bangalore or New Delhi, to start it there and compete against us.

How about a tax system that works globally and allows our companies to compete internationally, instead of punishing them? Republicans are too defensive about globalization – its costs and its virtues. We need to stay on offense.

When Obama says he'll renegotiate NAFTA, his culturally liberal supporters near Central park or Menlo Park cringe. They know better!

Bill Gates was shocked that 90% of Republicans supported free trade, while less than 20% of Democratic members do. If you want to fix the economy, let's talk about the Democratic Congress's head in the sand approach to globalization. The public hates Congress. Why don't they associate Democrats with it?

A reporter was interviewing a farmer in 1956 about why he was voting for Eisenhower, when the farmers despised the administration and Agriculture Secretary Ezra Taft Benson. The farmer replied, "Well, no one associates Eisenhower with the Administration." Today, no one associates Democrats with the dysfunctional Congress. The President, even with his low approval ratings, can change the game by sending programs to Congress and daring the Democrats to act. He is our big microphone. Alternatively, we can go our own way with our own programs, and even disassociate ourselves from President Bush. But, we should be on offense. Democrats won't even move NCLB, a good program that hasn't been defended very well.

Stock Market

Barack Obama wants to move Capital Gains taxes to 25%. In a floundering stock market that will chase away investment, not attract capital. We should continue to hammer away at the Democrat's tax proposals. Their numbers don't add up; they won't

help the economy; and middle America is in no mood for tax hikes. The Bush tax cuts poll favorably and when you take Bush's name off and go cut by cut, they poll even more favorably. We should accent this difference. The President can make these cuts (or at least capital gains) part of his competitive agenda.

McCain voted against part of these cuts, but this is a particularly important line to draw in the Battle of Middle America. We should dare Barrack Obama to sponsor his tax bill this year, instead of speaking Happy Talk at 30,000 feet about middle class tax cuts paid for by the rich.

War on Terror

We must continue to hammer on FISA every chance we get. Terrorism ranks sixth today as an issue, but one incident can propel it to first. Democrats will blame Bush for any problems, so it is important that the record on these issues be clear and concise.

FISA, intelligence funding, border security, etc. are critical and the lines between protecting our citizens and preserving privacy will crumble with a major incident. Although we all hope this will never happen, the Democrats have played partisanship with this issue since they took Congress. They cater to their college town, intelligencia constituency and, although no one may be paying attention today, it could be the issue in the fall. We should continue to build our record.

Health Care

One issue of concern to all Americans is Health Care. The NBC/WSJ poll showed 26% of Americans rank health care as their first or second priority for the federal government. Health care looms as an issue that motivates, particularly among swing voters. Among voters, in the NYT/CBS poll, when asked which party is better:

| | Democrats | Republicans |
|-----------------------------|-----------|-------------|
| Improving Health Care | 63% | 19% |
| Ensuring a Strong Economy | 56 | 28 |
| Sharing Your Moral Values | 50 | 34 |
| Dealing with Iraq | 50 | 34 |
| Dealing with Immigration | 42 | 38 |
| Keeping the Military Strong | 27 | 60 |

Health Care is the weakest issue for Republicans. After all, aren't we the ones who opposed extending health care to children of the working poor (S-CHIP)? Never mind the policy arguments. Voters have made their choice. What we have not done is talk about the Democratic failings in Health Care. They control Congress. Their presidential candidates claim they want everyone covered. Where's the program? The Democrats, outside of S-CHIP extension, have really done nothing for Health Care. No tort reform. They opposed prescription drugs and Medicare, Part D. Medicaid continues to spin out of control. But give them credit. They went after Bush Administration Medicaid

regulation – staying on offense. We are for lots of things: tort reform, physician reimbursement, preventative care and Medicare, Part D – but, who would know?

Our timidity in dealing with this issue has forced us off the high ground. Even with Medicare, Part D, the Democrats won the sound bite by making it look like we cut a sweetheart deal with the drug companies. Some deal – Pharma is giving 50% to Democrats! The fact that there are three formularies, with more buying power than the Federal Government has, gets lost in the Democratic rhetoric of allowing the Feds to use their leverage to bring prices down. Even Waxman’s investigation showed the program works, so he dropped it like a hot potato. But, who’d know?

Conclusion

In assessing the current state of the House GOP, it is hard to find many bright spots. The brand name is bad; money is in short supply; we’ve lost two special elections in safe districts and there is no organized plan to move ahead. To quote one pundit, “we are where we are”. Or, I can say, we are who we are.

A new wardrobe is needed. We don’t need to abandon long held principles, but we do need to understand our shortcomings and make appropriate adjustments. It starts with the brand and the brand is Bush. John McCain may not be the savior we’d like him to be. The reason voters like him and are giving him a second look is the same reasons our rank and file didn’t like him: immigration, campaign finance reform and independence.

If we don’t act boldly, the best we can do over the next six months is to allow our members to brand themselves: Chris Shays, in Connecticut; Jon Porter, in Nevada; Tom Feeney, in Florida; Mark Kirk, in Illinois; and Sam Graves, in Missouri. If held hostage to the GOP brand, nobody wins. But incumbents can personalize districts in a way that parties can’t and encouraging our members to run their own races and inoculate themselves in different ways can cut losses of incumbents.

John McCain helps. He doesn’t carry anyone over the finish line, but he doesn’t drag anyone down. The following incumbents show the breadth of Democratic inroads. These are incumbents with challengers who are likely to have over a million dollars to spend against us in the fall, not including DCCC and 527 money:

Young, AK
Shadegg, AZ
Shays, CT
Keller, FL
Bilirakis, FL
Buchanan, FL
Diaz-Balart, FL
Feeney, FL

Sali, ID
Kirk, IL
Souder, IN
Walberg, MI
Graves, MO
Porter, NV
Kuhl, NY
Chabot, OH

Gerlach, PA
Culberson, TX
Drake, VA
Goode, VA
Wolf, VA
Reichert, WA
Capito, WV

Add to that the open seats. I have ranked below the open seats, Republican and Democratic, as either competitive or safe, as compiled by CQ weekly, April 28, 2008:

Republican Open House Seats

| | | |
|-----------------|-------|--------------------|
| Jerry Weller | IL-11 | Democrat Favored |
| Tom Davis | VA-11 | No Clear Favorite |
| Deborah Pryce | OH-15 | No Clear Favorite |
| Jim Ramstad | MN-3 | No Clear Favorite |
| Ralph Regula | OH-16 | No Clear Favorite |
| Rick Renzi | AZ-1 | No Clear Favorite |
| James Walsh | NY-25 | No Clear Favorite |
| Heather Wilson | NM-1 | No Clear Favorite |
| Barbara Cubin | WY | Leans Republican |
| John Doolittle | CA-4 | Leans Republican |
| Terry Everett | AL-2 | Leans Republican |
| Mike Ferguson | NJ-7 | Leans Republican |
| Kenny Hulshof | MO-9 | Leans Republican |
| Jim McCrery | LA-4 | Leans Republican |
| Tom Reynolds | NY-26 | Leans Republican |
| H. James Saxton | NJ-3 | Leans Republican |
| Ray LaHood | IL-18 | Republican Favored |
| Steve Pearce | NM-2 | Republican Favored |
| Dave Weldon | FL-15 | Republican Favored |
| David Hobson | OH-7 | Safe Republican |
| Duncan Hunter | CA-52 | Safe Republican |
| Ron Lewis | KY-2 | Safe Republican |
| John Peterson | PA-5 | Safe Republican |
| Chip Pickering | MS-3 | Safe Republican |
| Tom Tancredo | CO-6 | Safe Republican |

Democratic Open House Seats

| | | |
|-----------------|-------|-------------------|
| Bud Cramer | AL-5 | No Clear Favorite |
| Darlene Hooley | OR-5 | No Clear Favorite |
| Tom Allen | ME-1 | Democrat Favored |
| Robert Andrews | NJ-1 | Safe Democratic |
| Michael McNulty | NY-21 | Safe Democratic |
| Mark Udall | CO-2 | Safe Democratic |
| Tom Udall | NM-3 | Safe Democratic |

It should be noted that eight Republican seats are prime Democratic pickup prospects, while only two Democratic seats are seen as potential shifts. This will change depending

on atmospheric in the coming months, but shifts are more likely to be against us, as we've seen in our open seat elections, this year.

Democratic prospects for coming to the GOP fold are also important, although Democrats have given us no automatic pickups. The Freshman Class of Democrats vulnerability, as rated by CQ is as follows:

| <u>District</u> | <u>Freshman</u> | <u>CQ Rating</u> |
|-----------------|--------------------|-------------------|
| FL-16 | Tim Mahoney | No Clear Favorite |
| KS-2 | Nancy Boyda | No Clear Favorite |
| AZ-5 | Harry Mitchell | Leans Democratic |
| AZ-8 | Gabrielle Giffords | Leans Democratic |
| CA-11 | Jerry McNerney | Leans Democratic |
| CT-5 | Christopher Murphy | Leans Democratic |
| IN-9 | Baron Hill | Leans Democratic |
| KY-3 | John Yarmuth | Leans Democratic |
| MN-1 | Tim Walz | Leans Democratic |
| NH-1 | Carol Shea-Porter | Leans Democratic |
| NY-19 | John Hall | Leans Democratic |
| NY-20 | Kirsten Gillibrand | Leans Democratic |
| PA-4 | Jason Altmire | Leans Democratic |
| PA-10 | Christopher Carney | Leans Democratic |
| TX-22 | Nick Lampson | Leans Democratic |
| TX-23 | Ciro Rodriguez | Leans Democratic |
| WI-8 | Steve Kagen | Leans Democratic |
| CT-2 | Joe Courtney | Democrat Favored |
| FL-22 | Ron Klein | Democrat Favored |
| IN-2 | Joe Donnelly | Democrat Favored |
| IN-8 | Brad Ellsworth | Democrat Favored |
| NH-2 | Paul Hodes | Democrat Favored |
| NY-24 | Michael Arcuri | Democrat Favored |
| NC-11 | Heath Shuler | Democrat Favored |
| OH-18 | Zack Space | Democrat Favored |
| PA-8 | Patrick Murphy | Democrat Favored |
| CO-7 | Ed Perlmutter | Safe Democratic |
| IA-1 | Bruce Braley | Safe Democratic |
| IA-2 | Dave Loebsack | Safe Democratic |
| PA-7 | Joe Sestak | Safe Democratic |

Other House Democrats with potential vulnerabilities include:

Melissa Bean IL-8
Jim Marshall GA-8
Bill foster IL-14

Dennis Moore KY-3

In all, the lineup favors Democratic gains and that is before the Democratic money pours in to an expanded playing field. The major variables include: (1) the issues matrix, in October; (2) the Presidential race; (3) the ability to fund key races; (4) spending smartly; and (5) resurrecting the Republican Congressional brand (for open and challenger seats) and having incumbents' personalized branding in their own districts.

Issues Matrix

Today, the issues matrix is pretty clear, per Hart/Newhouse:

- #1 Jobs and economic growth (23%)
- #2 War in Iraq (18%)
- #3 Energy fuel prices (16%)
- #4 Health care (11%)
- #5 Terrorism (8%)
- #6 Immigration (8%)
- #7 Environment (5%)
- #8 Housing (3%)

Only on terrorism and immigration do Republicans have the upper hand with the public. But, we need to address all of these issues and be on offense with all of these issues, because no one knows what will dominate in the September-October time frame. Economic growth may rebound. Iraq could stabilize or Osama could be captured. Gas prices could decline. But, we need messages. Democrats have no solutions and they control Congress. Test them. Challenge them. And, when we can coordinate with McCain or the President, the message can be amplified.

We can't control the political environment, but we can be ready for all contingencies.

Presidential Race

This is another variable we can't control, but we can prepare for certain contingencies. We won't win any appreciable black vote and very little cultural liberal votes, against Obama. So let's focus on shoring up our base: social conservatives; lunch bucket blue collar whites; Hispanics (they are in play for McCain); and military veterans. As McCain picks these groups we should move along with a Congressional agenda that is congruent with his themes. Immigration is touchy for many members, but seizing on the Democrats' inability to address the issue puts us in the cue.

McCain may lose, but he's not likely to collapse, especially in our targeted districts. Efforts in the South, border states and Arizona, to attach him to us (particularly in challenge and open seats), is important.

Funding

It's easy to blame everyone else for the funding deficiencies, but several things are clear. With a bad GOP brand, Republicans of all stripes aren't motivated to give. We must go on offense, politically, to reinvigorate our base (both grass-roots and business). People

won't give because they like us. They'll give because they're afraid of the Democrats. From National security, to card-check, to taxes, to trade, we need to draw strong lines and aggressively pursue our constituencies.

Fundraising has changed. My mother's generation was all about the mail. For Boomers, it was the phone. Gen X is about the internet and we are not tech savvy, enough! We should invest in technology that allows anyone to give directly and easily to the NRCC, or to targeted candidates, with a click of the mouse (similar to the Democrat's Red to Blue program). A thoughtful strategy must be implemented immediately to raise money on line for us and our key races.

Members need to be inspired to give. "One-on-ones" with the Leader and Whip are an essential part of this. We know who can give and how much. This cannot be delegated. Also, the system of rewards for generosity has not been observed and members know it. That's why one-on-ones need to be utilized.

Spending Smartly

Throwing a half million dollars at LA-6 was not smart, in retrospect. A more thorough discussion on smart spending is in order, but good polling and targeting is critical. We will be outspent in November. With 6,000 points on the air in the final week of a campaign, the last thing you need is more media. Cookie cutter approaches, along with obsolete messages, are also wasteful.

Resurrecting the Brand

Probably the most difficult and most important initiative we can take, over the next six months, is restoring the GOP brand name, so that it is not an albatross to our candidates. If leadership feels that it is too difficult a task, at least create an atmosphere where our candidates can brand themselves.

Tom Davis's brand is not Jeb Henslerling's or Joe Barton's brand. I run as a friend of federal government employees and contractors - not making government smaller, but making it work (probably tougher than just downsizing). I run as a moderate and thoughtful doer who supports the GOP on trade and taxes, but takes a more libertarian approach on gays, stem cell research, etc.

That branding doesn't work for most in our conference, but if we don't want our numbers to sink to 180, we have to have a party reputation that allows us to compete nationally and especially in swing districts. Democrats have gone out of their way to attract the pro-gun, pro-life candidates where it suits them. However, that dissonance with an Obama candidacy and an Obama Presidency, should it occur, offers us opportunities.

Staying on offense on the key issues is critical to our success and having a President working with us to pin the tail on a Democratic Congress can give us opportunities that do not appear today.