



# The **Battle** for the Governor's Mansion

By Lindsay Minard

## A Turning Point Whatever the Outcome

*October 7, 1777, the last of the Battles of Saratoga, is considered the turning point for the American cause during the Revolutionary War. While British General John Burgoyne's troops won a minor victory over General Horatio Gates' Continental Army during the September 19 battle, on October 7, Gates' troops captured a portion of the British troops, eventually forcing General Burgoyne and his army to surrender. It was the Battle of Saratoga that inspired France to join the American cause, changing the course of the war and helping to lead America to victory.*

While the majority of the country enjoys a year off from campaign ads breaking into their favorite prime time shows, the campaigns for Virginia's Governor, Lieutenant Governor, Attorney General, and House of Delegates are heating up.

For the GOP these races are critical to the turnaround of the party and will expose whether Virginians are ready to return to their red roots and give the Grand Old Party another shot at making things right. For Democrats these elections are a measure of whether there is a continued belief in the direction the administration is leading the country, or whether the eloquent rhetoric and sentimental feelings about change have faded, leaving a sense of disappointment over decisions made at the voting booth last November.

Senator Creigh Deeds and former Attorney General, Bob McDonnell met in the battle for Virginia Attorney General in 2005; McDonnell skimmed by with just over 300 more votes than Deeds. Deeds at this point can be considered the underdog in the gubernatorial race according to polls; however, he has already pulled off one upset, winning the Democratic nomination over State Delegate, Brian Moran and Democratic National Committee Chairman, Terry McAuliffe. We all know how the public loves a good come-from-behind storyline.

The 2009 Virginia state elections are considered by most Virginia commercial construction businesses as a make or break situation. As the federal government continues in its quest for something resembling socialism, Virginia's right to work statute stands unarmed in enemy territory, with this election being the commercial construction industry's hopeful version of the Battle of Saratoga.

At the moment it seems that Senator Deeds falls into the moderate Democrat category; however, the problem our industry has with the Democratic Party is that the Party does not owe, for the most part, any gratitude to the industry for their positions of power. Instead, elected Democrats' gratitude is rightfully directed toward the unions. As far as Virginia contractors are concerned, whoever wins the governor's seat has the power to be a voice either for or against them in a battle for the survival of the merit shop.

### The War for the State

#### *The Battle Over the Budget*

"The truth is that Virginia's budget is a fiscal house of cards today. In the past four years this administration has missed their revenue projections by 20 percentage points; they have incurred over five billion dollars in budget shortfalls with more on the way; they have taken a billion dollars out of the rainy day fund; and state debt has gone from four to eight billion dollars. The budget has been balanced with gimmicks and we are now out of gimmicks. Our debt capacity is maxed out, our rainy day fund is gone and the stimulus dollars will disappear in 2011. There are no more games to play, and we have to bring this budget into balance," states Virginia Lieutenant Governor, Bill Bolling.

To say that Virginia's budget is experiencing a crisis is to say that the national economy is in a bit of a slump. The budget is a

disaster and in order for commercial construction pipelines to be filled again with the public work, it needs to be the primary focus of our next governor.

While some argue that there is simply no room for more cuts, the fact remains that Virginia's budget has doubled in size in the past ten years, growing 30 percent faster than the rate of growth and population. "What we are not hearing much about is the growth and expansion of state spending over the last several years. There has to be a realization that there is definitive room for cutting certain expenditures," explains Harold Kelly, vice president and state lobbyist for Associated Builders and Contractors-Virginia Chapter.

Governor Kaine recently reduced the projected budget revenue gains from four to two percent; but unfortunately the damage is done and two percent is still wishful thinking as the state has lost nearly nine percent of its revenue for the second year in a row. The stimulus dollars the state received put a band-aid on a gaping wound that will be ripped off in January 2010; leaving transportation, education, healthcare, Medicare, and law enforcement, continuing their bleed-out. The lack of money for these programs means less money for construction projects and more bad news for commercial construction businesses.

"We tend to bond a lot of things in Virginia, but we cannot issue transportation bonds until 2011 and while higher education projects, including dorms and eateries, are bonded with revenue bonds paid for by students, those bonds do not include classrooms," explains State Delegate, Tom Rust.

Both McDonnell and Deeds seem to recognize the need for an overhaul of the way government spends, emphasizing the need for more efficiency and transparency of government-run programs and agencies. By nature, McDonnell's solutions revolve around reducing taxes for families and businesses, cutting government spending and improving its day-to-day operations.

Senator Deeds has not mentioned raising taxes and likely will not, even with a record that says otherwise. Instead he has stated several specific ideas, rare in his campaign to this point, for trimming government fat, including a proposed private sector panel to review the work of the state government; energy consumption audits; and zero based budgeting for state agencies.

"Both the candidates' philosophies seem to center on less government, reducing staff, reforming agencies and implementing business incentives for job creation. I do not see a significant difference between the two candidates on the issue of the budget. The budget cuts have impacted all the capital projects in the state and for our industry that has meant fewer jobs. The bottom line is they need to get it handled," states John DeBell, executive vice president, Burgess & Niple, Inc.

"The budget has been balanced with gimmicks and we are now out of gimmicks. Our debt capacity is maxed out, our rainy day fund is gone and the stimulus dollars will disappear in 2011. There are no more games to play, and we have to bring this budget into balance."

Virginia Lieutenant Governor, Bill Bolling

### *The Battle Over Transportation*

If you are living, working and commuting in Virginia, specifically in Northern Virginia or Hampton Roads, you are made aware daily that our transportation system is seriously behind the times with no signs of getting better anytime soon. Our next governor will not be allowed to put this issue on the backburner for the next guy; it has to be dealt with and it has to be dealt with in this recession, like it or not.

"It is a huge mess, and neither candidate is addressing it in a meaningful way. It is simply not possible to adequately tackle the severe transportation shortfall without significant amounts of additional revenue. It cannot be done and everyone knows it," states Clayton Roberts, president of Virginia FREE.

The short-term good news is that the state is getting \$800 million in federal stimulus money that is earmarked for transportation. This means that construction projects will move forward in the near future. The bad news is that money will evaporate quickly and there are no funds to replenish it. "We have been whittling away at the maintenance budget to fund construction projects and pretty soon there won't be enough money to maintain the roads we have, let alone build new ones," confirms Roberts.

While both candidates have wisely steered clear of discussing raising any sort of tax, executives in Virginia's commercial construction industry are living in a harsh reality that has many looking for the elephant in the room: the gas tax; to at least be considered as a realistic source of new revenue. "The gas tax has been the same since 1986. We need to be realistic; a flat gas tax does not work," states Steve Daves, president of R.W. Murray Co.

Will one of these candidates have the backbone to increase the gas tax and create some real revenue for transportation? Is the gas tax really going to take a big bite out of the transportation problem? At this point, it is safe to say that neither McDonnell nor Deeds is going to directly touch a tax subject with a ten-foot pole while campaigning; and whether or not raising the gas tax would really make a difference is up for debate.

"The long-term argument against the gas tax is the significant focus on raising fuel efficiency. As a main funding mechanism for our

“Unemployment compensation for the part-time worker would have a dramatic impact on every employer in Virginia. Those who opposed it really went out on a limb and they are going to continue getting beat up in the press for some time to come.”

Harold Kelly, state lobbyist and vice president, Associated Builders and Contractors-Virginia Chapter

transportation woes, the gas tax is on its way to becoming antiquated as that revenue stream continues to decrease. Nonetheless, at present an increase in the gas tax, or at the very least a change in the manner in which it is assessed to having it indexed to fuel prices, may yet offer the most clearly defined and acceptable means to provide a critically-needed dedicated revenue stream for transportation,” states Kelly.

In determining how the candidates’ strategies for solving the transportation crisis measure up; it depends on whether you consider a concrete plan a big bull’s eye or a step in the right direction.

McDonnell recently released his plan entitled, *End Gridlock, Create Jobs: Get Virginia Moving Again*. Major points of his plans include privatizing Alcohol Beverage Control stores across the state and dedicating proceeds to transportation; passing legislation to take additional funds from increased port operations revenues to invest in regional transportation projects, allocating a portion of the sales tax collected in Northern Virginia to the regional transportation account and establishing a bipartisan transportation task force, led by former governors and congressmen.

“We have put forth about a dozen specific proposals that will increase funding for highway construction, maintenance and mass transit without raising taxes. Our proposals focus on using more of our existing revenue

sources toward transportation, generating new money through a number of creative alternatives, and directing that money to critical projects in Northern Virginia and Hampton Roads. Our plan will generate over \$17 billion in additional money for transportation over the next ten years, or about \$1.4 billion per year when it is fully implemented,” explains Bolling.

Deeds, on the other hand, has remained vague on an actual plan, simply stating that in the first year he will fix the transportation problem with a plan that is “long-term in scope, statewide and creative in nature.”

“The problem I have with both candidates is that their proposed solutions do not solve the problem and raise money. McDonnell is basically shifting money from the general budget to transportation and that will likely be dead on arrival. Neither are proposing increases to the gas tax which has traditionally been a source of road funds. I do not see either one of them putting something on the table that will pass through the General Assembly,” contemplates DeBell. Whichever candidate wins, whichever plan takes center stage and whether or not Virginia remains a state that attracts new businesses and retains existing ones hangs in the balance as long as the transportation issue does. “If we do not address this issue it will become so critical in nature that we will lose businesses. Additional resources have to be forthcoming,” states Rust.

### **The Battle Over Taxes**

Whether they are social Republicans or not, most Virginia business owners and commercial construction executives vote Republican from a business standpoint; with key philosophies of low taxes and tax cuts. However, today with a large chunk of the work available being in the public sector, commercial construction businesses need the state government to get their budget under control and start feeding money into the programs that will generate construction projects. This predicament leaves many industry decision-makers

tentatively broaching the subject of raising *some* kind of tax, even in this economy.

“Campaigning and governing are two entirely different things. It seems a given that when you are campaigning to be the governor of Virginia you say nothing about raising taxes. When Warner took office he was faced with a six billion dollar budget shortfall; he reduced government spending and raised taxes to increase revenue. The result was he got the budget back on its feet. Today we are headed for at least another six billion dollar budget disaster and there are only a couple of ways it can be handled; you can reduce expenditures, increase revenue, or do both. I think it is going to require both,” explains Roberts.

From a campaign standpoint, the mere mention of raising taxes in 2009 is not a smart move; so McDonnell is flying high his record of no tax increases and Deeds is steering completely clear of the issue or being vague to avoid discussing it.

“I do not see either candidate raising taxes except in something for transportation. We raised the sales tax in 2004 .5 percent and that went to education; the mistake there was probably not increasing it more for transportation,” states Rust.

Only time will tell whether the lack of tax increase talk will stick after the election, but it seems certain that businesses, industry-wide, can breath a tentative sigh of relief with the lack of any real plans to raise their taxes from a state level. And for those in favor of the user taxes; it seems likely that the issue will make a comeback once our new governor is safely in office.

“The two schools of thought in balancing a budget are to cut the fat or to raise taxes; I think we have to find a happy medium. I run a business and I have to raise my prices and cut things when necessary; the government is no different. The problem is that they have been cutting for so many years that there is nothing left to

cut. I am on the Higher Education Council and I know what is happening at the colleges; they are getting cut every year. We either have to do away with something or raise more taxes,” explains Preston White, president of Century Concrete Inc.

### ***The Battle Over Unemployment Compensation for the Part-Time Worker***

“Unemployment compensation for the part-time worker would have a dramatic impact on every employer in Virginia. Those who opposed it really went out on a limb and they are going to continue getting beat up in the press for some time to come,” states Kelly.

The GOP is labeled the party that stands up for big and small businesses and by default that leaves to the Democrats the label of the “working man’s” party. Unfortunately working men often get duped by their political machine into believing that businesses are out to get them and that working *against* rather than *with* their employer is the right move. If we refer back to common sense, it will tell us that when the employer is happy, the employee is happy; and when the employer is being raked over the coals by legislation, ultimately so is the employee.

So this raises the debate over unemployment compensation for the part-time worker; a provision of the stimulus package that would increase unemployment benefit payments and provide incentives for states to expand the number of individuals who qualify for unemployment compensation.

With the political sales pitch behind it, unemployment compensation for the part-time worker became businesses against the working man. McDonnell was quickly painted as the bad guy not looking out for his working class constituents by opposing the federal stimulus money that in theory would extend unemployment benefits to those struggling in this economy.

“This was an agonizing issue for the business community and unfortunately

it became a political football. It came unraveled. The politics of the issue quickly overcame substantive concerns, and now both sides are at loggerheads. What’s needed is courage and leadership, but it seems to be all politics all the time in our General Assembly with very little statesmanship and leadership,” confirms Roberts.

The problem is that what is being sold in campaign ads does not include the fine print of making a deal with the devil. By accepting this money from the stimulus package, the General Assembly will have to expand state unemployment compensation with the passage of at least two of four outlined requirements. Two of these provisions include providing benefits for up to 26 weeks to former part-time workers now seeking part-time work. Another provides supplementary benefits for up to 26 weeks to workers who no longer have regular benefits but are attending a state-approved training or job training program; the intent of this benefit is to prepare that person for hire in a high-demand job environment.

What accepting this money would mean for businesses and workers is red ink, layoffs and an induced prejudice against part-time workers. “What the media failed to do a good job at is getting the word out that once the federal stimulus dollars are gone and with a permanently changed statute; the only way to continue funding the expansion is to turn to Virginia businesses; state businesses are essentially left holding the bag,” explains Kelly.

“It is a short-term solution that does not consider long-term consequences. Once we get our hands on the money and we run out of

it, there are no additional funds to fill that pot and the business is then stuck at that funding level. This means fewer jobs and less growth; in other words it is bad for business and bad for the worker,” explains Daves.

### **The Looming Federal Ambush**

#### ***The One. Two. Three. Four Punch.***

“Executive Order 13502, card check, cap and trade and national health care all add costs to businesses, making it harder for them to succeed. If someone had devised a plan to destroy American business, it would probably look a lot like what they are doing right now in Washington. Instead of revitalizing business, these programs will make them less successful and competitive. These pieces of legislation could so adversely impact American business that it will never recover,” asserts Bolling.

While the Deeds’ campaign has been busy tying McDonnell to the obstructionist party that has gotten little to nothing done in state government, McDonnell’s camp has hammered in on the fact that Deeds’ has, for the most part, steered clear of addressing federal issues, chalking it up to the fact that this is a state election and that he has no real power when it comes to federal legislation.

Although state governor’s do not have legislative power at the federal level; with project labor agreements, card check, government-run healthcare, cap and trade and a lack of party balance in Washington, Virginia’s commercial construction industry is looking for their governor to stand next to them in the fight against these business killers. In order for them to know who stands

“It is a huge mess, and neither candidate is addressing it in a meaningful way. It is simply not possible to adequately tackle the severe transportation shortfall without significant amounts of additional revenue. It cannot be done and everyone knows it.”

Clayton Roberts, president of Virginia FREE

with them, the gubernatorial candidates *must* address these federal issues in order to win the votes of the industry as a whole.

“Our biggest problem is that the President, House and Senate are controlled by one party. We need a line of defense to protect state rights because currently the federal government is getting in everyone’s business. We need a strong governor who will fight for state rights; we need to balance things out,” says Steve Davidson, president of Power Electric.

What we know is that McDonnell is strongly against legislation that threatens the business community’s prosperity and that Deeds currently is not speaking in support of any such legislation. Unfortunately for the Deeds’ camp there is evidence that he has not always lived up to his campaign rhetoric of support for the business owner.

In 2008, Deeds voted in support of a state bill (Senate Bill 161 in the 2008 General Assembly) that would have authorized a

construction employer and a collective bargaining representative to negotiate dispute arbitration, essentially forcing binding arbitration on that employer. Although Deeds has said he is against any legislation that threatens Virginia’s right to work status and strong business standing, there is photographic evidence of him picketing at the Hilton Hotel in Crystal City as recently as January of this year. It was just a few weeks before the demonstration that the Hilton announced it would be relocating its corporate headquarters from California to Virginia; having our potential new governor picketing them was probably not the anticipated Southern welcome. Even more telling is that the Deeds’ campaign has received over \$800,000 from organized labor, whereas McDonnell has not received a dime.

“I cannot tell you where Deeds would stand on project labor agreements, but I can tell you he is a moderate Democrat and a supporter of our right to work law; however, clearly one of his base constituencies is organized labor. Having to deal with a

project labor agreement on a major project like the Woodrow Wilson Bridge would put him in a tough spot,” says Roberts.

## Conclusion

“I believe it is going to be a close race. Deeds is being portrayed as closer to the center than McDonnell and McDonnell has been more forthright on the federal issues of importance to our industry. As the race heats up we will learn more about each candidate; specifically more about Deeds. I have not completely made up my mind at this point,” contemplates White.

Either way, the November 3, 2009 gubernatorial election will be a tight competition with the outcome determining the true political climate of the state after 2008’s Hollywood scripted national election outcome. For now, Virginia’s commercial construction industry and businesses in general will have to play out how they would fight the battles ahead, only in theory.



## CELEBRATING 20 YEARS OF LOCAL BUILDING EXCELLENCE

OUR EXPERTISE INCLUDES:

- ❖ Private Educational Facilities
- ❖ Retail
- ❖ Tenant Improvements
- ❖ Industrial Buildings
- ❖ Storage Facilities
- ❖ Distribution Centers
- ❖ Data Centers
- ❖ Professional Office Space
- ❖ Building Renovations
- ❖ Health Care Facilities
- ❖ Building Maintenance



10440 Balls Ford Road, Suite 100 Manassas, VA 20109  
703-334-2100 [www.rwmurray.com](http://www.rwmurray.com)

