NO, VIRGINIA …

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In the American journalism took place in the New York Sun in September 1897 when eight-year-old Virginia O’Hanlon sought the truth about Santa Claus. Newsmanship Francis Pharcellus Church assured her, “Yes, Virginia, there is a Santa Claus.”

Facing extreme budget pressures nationwide, federal and state governments are struggling to provide transportation funding. Only 14 months ago, Bob McDonnell’s election as Virginia’s governor was cited as a political omen of resurgent Republican strength. Now, he’s attempting to pass his three-year, $4 billion transportation plan in the Virginia Legislature.

As surface transportation reauthorization languishes in Congress, the results in Virginia, where McDonnell struggles with highway funding, may serve as a leading indicator for our industry. Consider:

• IS INTERMODAL “READY FOR ITS CLOSE-UP”? Ably assisted by Virginia Secretary of Transportation Sean Connaughton, McDonnell has proposed a transportation plan that goes beyond highways, encompassing multimodal solutions and performance assessments. As with the U.S. Department of Transportation’s vision, McDonnell’s plan provides for focus on intermodal transportation, even if some of the details aren’t perfect. History shows that although highways are essential, they often are insufficient by themselves and must be leveraged by rail and water modal options.

• DOES TRANSPORTATION EQUAL JOBS? Like many Republicans who criticized President Obama’s stimulus spending (while taking credit for the funded projects), McDonnell has been on both sides of the transportation-stimulus issue. In his recent State of the Commonwealth speech, McDonnell reiterated that government can’t create jobs — but then said his transportation plan would generate thousands of new ones. The macroeconomic impact of infrastructure spending has been documented. And while the specific multiplier effects may be debated, the impact is significant.

• WHAT ABOUT THE PRIVATE SECTOR? McDonnell’s vision corresponds eerily with that of President Obama. Both advocate the development of a transportation infrastructure bank to encourage public-private partnerships that would invest in transportation assets. McDonnell also has sought — unsuccessfully to date — to raise money by selling public assets such as port leases and state liquor stores to the private sector.

• FIREWALLS, ANYONE? The governor also seeks to establish a constitutional firewall between transportation funding and the general budget. Ironically, the new Republican House majority is, at the same time, proposing to eliminate the firewall in the Highway Trust Fund imposed in 1998 under the leadership of Rep. Bud Shuster, R-Pa. While there hasn’t been any serious reduction in federal transportation funding, the situation highlights a funding dilemma already facing individual states.

• NO TAXES! Transportation spending, traditionally funded outside of general revenue, is unaffordable with the funding available from gas taxes. Virginia’s fuel tax was last increased in 1986; the federal levy was last increased in 1993. Federal and state governments have been struggling to fund escalating expenses, using a source that isn’t indexed to inflation and fails to recognize changes in vehicle characteristics. Nobody seems willing to acknowledge the Reaganesque fig leaf that the gas “tax” is really a “user fee.”

• IS BORROWING BAD? The dominant GOP sound bite depicts government borrowing as a lack of discipline unavailable to American families. This oversimplification fails to distinguish debt used to finance everyday spending for such things as groceries from debt used to pay for assets that exist for years, such as a home mortgage. McDonnell has adopted President Obama’s point that debt is historically cheap in this low interest rate market, even as debt ceilings pose prohibitive political challenges for both leaders.

Perhaps House Majority Leader Eric Cantor, R-Va., has uncovered a way to protect transportation spending. He proposes transferring Israel’s foreign aid from the State Department’s budget to that of the Pentagon. The former is subject to the new Republican election commitment to immediately reduce discretionary spending by $100 billion, while the latter is not. Perhaps we should now refer more frequently to the “Dwight D. Eisenhower National System of Interstate and Defense Highways” so Republicans might also transfer transport funding to the Pentagon.

Funding transportation is a critical responsibility of our government. The degree of our investment, and the sophistication of our approach to this responsibility, will have a bearing on our competitive status for years.

Unfortunately, there is no readily apparent Santa Claus — only tough choices. joc

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