

Dear Reader:

This is Old Dominion University's 13th annual State of the Region report. While it represents the work of many people connected in various ways to the university, the report does not constitute an official viewpoint of Old Dominion, or its president, John R. Broderick. The State of the Region reports maintain the goal of stimulating thought and discussion that ultimately will make Hampton Roads an even better place to live. We are proud of our region's many successes, but realize it is possible to improve our performance. In order to do so, we must have accurate information about "where we are" and a sound understanding of the policy options available to us.

The 2012 report is divided into nine parts:

Gathering Steam: The Regional Economy Recovers (Slowly): We continue to do better than the nation, but our regional economic recovery has been slow. The port, regional tourism and residential housing have yet to regain the ground they lost during the recession and the outlook for defense spending is hazardous.

How Much Is Too Much? Comparing Income Inequality and the Cost of Living in Hampton Roads to New York City: Incomes are distributed more equally in Hampton Roads than nationally and certainly more so than in New York City. At least 80 percent of households in Hampton Roads are better off in economic terms than the comparable 80 percent in New York City.

Attorneys and Law Firms in Hampton Roads: The national market for attorneys is glutted and this has resulted in stagnant salaries, unemployed attorneys, falling law school enrollments, and rising dissatisfaction of attorneys with their lot in life. The situation in Hampton Roads does not differ substantially.

Do We Have Enough Physicians in Hampton Roads? Hampton Roads will require approximately 1,000 additional physicians in 2025. If one-quarter of Eastern Virginia Medical School graduates remain in the region, then by 2025, EVMS will supply 504 of the needed physicians. The resulting shortage will affect physician availability, quality and pricing.

Does the Commonwealth Balance Its Budget on the Backs of Local Governments? We examine the Commonwealth's fiscal practices and conclude that the answer to this question often is yes.

A Powerful Economic Engine: The Impact of Eastern Virginia Medical School: The economic impact of EVMS approximates \$800 million annually and at a time when other economic engines are sputtering, the medical school has become an increasingly important economic force in our region.

K-12 Private Education: Southside Hampton Roads: Eighty-six private (independent) K-12 schools exist in Southside Hampton Roads. Commonwealth regulation of their activities is minimal (often virtually zero) and hence there is great variation in their goals, operations and transparency.

Homeschooling: Our Fastest-Growing Alternative in K-12 Education: 1.6 percent of all K-12 students in Hampton Roads are homeschooled. While homeschooling families ordinarily must satisfy a stated set of standards, they can claim a religious exemption and this essentially obviates those standards. Hence, there is great variation in the nature and substance of homeschooling in our region.

Modeling and Simulation in Hampton Roads: The demise of JFCOM has reduced the size of, but hardly eliminated, modeling and simulation in our region. Old Dominion University's VMASC continues to show the way and now is heavily involved in medical simulation work.

Old Dominion University continues to provide support for this report. However, it would not appear without the vital backing of the private donors whose names appear below. They believe in Hampton Roads and in the power of rational discussion to improve our circumstances, but are not responsible for the views expressed in the report.

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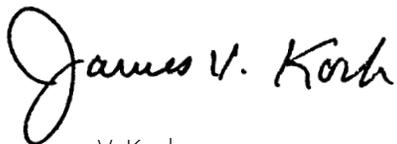
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Special recognition is due Vinod Agarwal and Gilbert Yochum of the Old Dominion University Economic Forecasting Project, which Professor Agarwal now directs. Their penetrating analyses of the regional and Commonwealth economies are by consensus the baseline by which numerous economic activities are measured.

My hope is that you, the reader, will be stimulated by the report and will use it as a vehicle to promote productive discussions about our future. Please contact me at jkoch@odu.edu or 757-683-3458 should you have questions.

All 13 of the State of the Region reports may be found at www.odu.edu/forecasting and www.jamesvkoch.com. Single paper copies may be purchased for \$25.

Sincerely,



James V. Koch

Board of Visitors Professor of Economics
and President Emeritus