November 2016

Dear Reader:

This is the second State of the Commonwealth Report produced by the Center for Economic Analysis and Policy at Old Dominion University. It is jointly sponsored by ODU’s Strome College of Business and the Virginia Chamber of Commerce. While the report represents the work of many people connected in various ways to the university, it does not constitute an official viewpoint of Old Dominion, or its president, John R. Broderick. Similarly, it does not represent the views of the Virginia Chamber of Commerce or its president, Barry DuVal.

The report maintains the goal of stimulating thought and discussion that ultimately will make Virginia an even better place to live, work and do business. We are proud of the Commonwealth’s many successes, but realize that 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 open to us.

The 2016 report is divided into eight parts:

**The Virginia Economy in Transition:** The Commonwealth is experiencing relatively slow economic growth as it gradually transitions from an economy highly dependent upon federal spending to one that still involves a substantial federal presence, but also more value-added private-sector activities, entrepreneurial ventures and participation in international trade.

**Northern Virginia: Turning the Corner?** NOVA now accounts for 37 percent of all employment in Virginia, but approximately 45 percent of the value of the Commonwealth’s economic activity. Recent growth in professional and business services employment suggests that the region may have turned the corner toward a more diverse, private sector-oriented economy.

**The Hotel Industry in the Commonwealth:** Over the past quarter-century, the hotel industry has become a relatively less important part of the Virginia economy. Occupancy rates have yet to recover to prerecession levels and price-adjusted hotel revenue and revenue per available room in 2015 similarly were below their previous peaks.

**Will Robots Take Your Job? A Look at Virginia’s Opportunities and Vulnerabilities:** A recent study found that 47 percent of all current jobs are susceptible to loss because of automation and the use of artificial intelligence. The key to a worker’s job vulnerability relates primarily to whether that worker is engaged in repetitive work that can be replicated by a machine or software using artificial intelligence.

**Broadband in Virginia: Vital for Economic Development:** Up to 70 percent of the world’s internet traffic flows through Northern Virginia, but some areas of the Commonwealth still do not enjoy broadband internet connections. Robust broadband access now is as important as roads, bridges and airports in terms of economic development and population growth.

**Stock Car Racing in Virginia: The Sport and the Business:** In addition to its nationally prominent Bristol Motor Speedway and Richmond International Speedway, the Commonwealth hosts nine other racetracks, five dirt tracks and eight drag racing strips. While still a very important economic phenomenon, attendance and revenue data suggest that stock car racing has passed its peak of popularity.

**The Rise of Single-Earner Households in Virginia: Why It Matters:** Forty-seven percent of all households in Virginia now are headed by one or more single individuals and these households include all adult age groups. Nevertheless, our current legal and regulatory structure continues to focus on “Ozzie and Harriet” households.

**Liberty University: A Higher Education Phenomenon:** Christian-centered Liberty University has a combined on-campus and online enrollment of more than 100,000 students and has accumulated an endowment of $1.4 billion. The university’s long-term aspiration is to be considered in the same breath as Notre Dame is for Roman Catholics and Brigham Young is for Mormons.
The Strome College of Business continues to provide support for this report. George Mason University’s Center for Regional Analysis and GMU Professor Terry L. Clower provided essential data analysis for Northern Virginia. However, the report would not appear without the vital backing of the private donors whose names appear below. They believe in the Commonwealth and the power of rational discussion to improve our circumstances, but they also are not responsible for the views expressed in the report.

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The State of the Commonwealth Report is available in PDF form at www.stateofthecommonwealth.com and www.ceapodu.com. Should you have comments or suggestions, please direct them to James V. Koch at jkoch@odu.edu, or Robert McNab at rmcnab@odu.edu. Individual copies may be purchased for $25.

Sincerely,

James V. Koch

Board of Visitors Professor of Economics Emeritus
and President Emeritus, Old Dominion University
November 2016

Dear Reader:

The Virginia Chamber Foundation is pleased to present you with the second State of the Commonwealth Report, to once again give a detailed economic profile of significant trends that will affect Virginia’s future growth. This independent report, produced by Old Dominion University’s Center for Economic Analysis and Policy, is a key part of the Virginia Chamber Foundation’s mission to strengthen Virginia’s long-term competitiveness through research that provides relevant metrics for our economy’s progress.

The annual State of the Commonwealth Report is a key way in which we measure the success of our economic strategies. I would like to thank those who contributed their support to the Virginia Chamber Foundation, which allows us to invest in this statewide economic profile. Those foundation sponsors are recognized on the following page.

This year’s report takes an in-depth look at economic trends at a regional and statewide level, and provides a perspective of how we’re faring compared with other states around the country. The data in this report will be of particular importance as we launch the effort to update the Virginia Chamber’s Blueprint Virginia.

In 2013, we released the first Blueprint Virginia, with ambitious policy goals for advancing Virginia’s long-term economic growth. Since that first Blueprint, we have made significant progress implementing those policies, and at the same time, the Chamber has nearly doubled its membership to 25,000 companies around the Commonwealth. Blueprint 2025 will engage a larger, more diverse cross-section of Virginia businesses to establish even more ambitious goals to improve Virginia’s business climate.

While the conclusions of this independent report are the authors’ alone, and do not necessarily reflect those of the Virginia Chamber of Commerce or our members, the State of the Commonwealth Report presents a critically important benchmark for Virginia’s economy. I hope that it will continue to spark candid conversations about the best ways to overcome our challenges, and that those conversations result in action.

The Virginia Chamber will continue to be a catalyst for ideas to improve Virginia’s long-term business climate and for implementing those policy ideas at the state and federal levels. This year, we had a 95 percent success rate in implementing Blueprint priorities in the General Assembly. There is much work left to be done.

We hope that the content of this report will help policymakers make informed decisions that will put private-sector businesses on the path to creating more high-wage, high-growth jobs and bring greater prosperity to all Virginians.

Sincerely,

Barry DuVal
President & CEO
Virginia Chamber of Commerce
WITH SPECIAL THANKS TO OUR 2016 STATE OF THE COMMONWEALTH SPONSORS:
Contents

The Virginia Economy In Transition ................................................................. 2
Northern Virginia: Turning The Corner? ......................................................... 34
The Hotel Industry In The Commonwealth ................................................... 58
Will Robots Take Your Job? A Look At Virginia’s Opportunities And Vulnerabilities .................................................. 80
Broadband In Virginia: Vital For Economic Development .......................... 96
Stock Car Racing In Virginia: The Sport And The Business ....................... 110
The Rise Of Single-Earner Households In Virginia: Why It Matters ............ 128
Liberty University: A Higher Education Phenomenon ................................. 152
Cover: Clockwise from left
United States Air Force
Liberty University
Martinsville Speedway
Virginia Department of Transportation

Page 111: facebook.com/RichmondInternationalRaceway

Page 113: Martinsville Speedway: flickr.com

Pages 153, 154, 160, 167 and 171: Liberty University