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Dear Reader:

This is the third State of the Commonwealth Report produced by the Center for Economic Analysis and Policy at Old Dominion University. The report is sponsored, in part, by ODU’s Strome College of Business. 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, its president, John R. Broderick, or the Board of Visitors.

This report maintains the goal of stimulating thought and discussion that ultimately will make the Commonwealth of Virginia an even better place to live, work and do business. We are proud of Virginia’s many successes, but realize it is possible to improve our performance. To do so, we must have accurate and objective information about “where we are” and a sound understanding of the policy options open to us.

The 2017 report is divided into six parts:

**Waiting for Godot? Virginia Impatiently Anticipates the End of Sequestration:** The Commonwealth’s lackluster economic performance in 2016 highlights a lost decade of slow economic growth. The dependence on federal spending presents challenges to stimulating growth when discretionary federal spending is constrained by sequestration. We investigate the reasons for the slow pace of economic activity and ask whether new efforts to spur innovation and entrepreneurship are a step in the right direction.

**Virginia’s Metros: Running to Stand Still?** The Commonwealth’s economy is the sum of its regional parts, however different they may be. After most regions performed poorly in 2016, there are signs that 2017 may be a more positive year. We delve into data on employment, jobs and taxable sales to ask whether the good news will last.

**The Scourge of Opioids in the Commonwealth:** Opioid-related deaths have skyrocketed in the Commonwealth and the United States. Almost three-quarters of those who abuse opioids start with a legitimate prescription. We investigate the rise of fentanyl as the primary cause of overdose fatalities and compare opioid practices in the United States with other industrialized countries. We estimate the costs of the opioid crisis and ask what steps can be taken to help those currently addicted and to prevent future deaths.

**Airbnb Rising: Short-Term Rentals and the “Gig Economy”:** Airbnb offers consumers short-term rentals that increase choice and lower costs. Cities in the Commonwealth are struggling with the question of how to work with Airbnb and similar firms, and the rise of Airbnb is a challenge to the traditional lodging sector. We explore the emergence of Airbnb, its phenomenal growth, and ask how Airbnb plays a role in the larger “gig economy.”

**Affordability and Access in Virginia Public Higher Education:** The typical public four-year university has increased its published tuition and fees two to four times as rapidly as the consumer price index. Have reductions in state appropriations driven these increases or are they a result of administrative proliferation, new amenities and the lack of firm control on tuition and fees by the Commonwealth? We estimate the costs and consequences.

**Time to Go Regional or Mega?** Interest in regional cooperation is rising again in the Commonwealth. We discuss the benefits of regionalism and examine the rise of megaregions in the United States. We ask whether there is a Richmond-Hampton Roads megaregion in the making.
The Strome College of Business continues to provide support for this report. The report, however, would not be possible without the vital backing of the 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 this 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 questions, please direct them to Robert M. McNab at rmcnab@odu.edu.

Sincerely,

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