Dear Reader:

This is Old Dominion University’s fifth annual State of the Commonwealth 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, its president, John R. Broderick, the Board of Visitors, the Strome College of Business or the generous donors who support the activities of the Dragas Center for Economic Analysis and Policy.

While the enthusiasm we have for our work remains high, it has been dampened by the recent passing of George Dragas, the individual most responsible for perceiving the need for an annual report on the state of Hampton Roads 20 years ago and procuring the financial support to sustain it. The State of the Region Report: Hampton Roads was the progenitor of the State of the Commonwealth Report. George was a very successful businessman, who simultaneously exhibited marvelous foresight and a keen sense of civic duty. Without George and his family, there would be no State of the Commonwealth Report and no Dragas Center for Economic Analysis and Policy. We are indebted to him.

The 2019 State of the Commonwealth report is divided into five parts:

**Virginia’s Growth Improves in Uncertain Times**
Virginia’s economy is poised to grow for the fifth consecutive year. The number of jobs and people employed set new records in the summer of 2019 and CNBC recently ranked the Commonwealth as the most business-friendly state in the country. However, increasing economic uncertainty threatens the promise of a bright start to the coming decade. We assess the performance of the Virginia economy and ask what the future holds.

**Marijuana in Virginia**
Over 30 states permit the personal use of marijuana for medical purposes and more than 10 states have legalized the possession of small amounts for personal use. With increasing calls in Virginia for the decriminalization or legalization of small amounts of marijuana, we examine who uses the substance, who is being arrested for possession or use, and what the revenue impact might be if marijuana were legalized in the Commonwealth.

**Virginia’s Metropolitan Areas: Moving Forward**
Many indicators of economic performance suggest that the Commonwealth’s metropolitan areas grew in 2018 and into 2019. Unemployment is below 3% across Virginia’s metros, and average wages have risen over the last three years. Compared to 2015, the metros are in a better place today but there are storm clouds on the horizon.

**Federal Spending in the Commonwealth: A Primer**
In fiscal year 2018, federal government awards in Virginia totaled $109 billion, or $12,866 per Virginian. The Commonwealth’s economy is fueled, for better or worse, by spending decisions in the halls of Congress and the White House. We explore how the federal government spends money in Virginia and highlight procurement spending in the state’s metropolitan areas. We also look back at the impact of the Budget Control Act of 2011 on the economies of Northern Virginia and Hampton Roads.

**The Virginia Retirement System: Assessing Its Challenges and Charting Its Future**
The Virginia Retirement System (VRS) manages the assets in the Commonwealth’s public employee retirement systems. The available evidence suggests that the VRS has been well managed and has outperformed many other state pension funds. We evaluate the VRS’s performance and suggest changes that could enable it to lower its costs even while improving its rate of return.
The Strome College of Business and Old Dominion University continue to provide support for the State of the Commonwealth report. However, it 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 are not responsible for the views expressed in the report.

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If you have comments or suggestions, please email us at rmcnab@odu.edu. All five State of the Commonwealth reports are available at www.ceapodu.com.

Sincerely,

Robert M. McNab
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