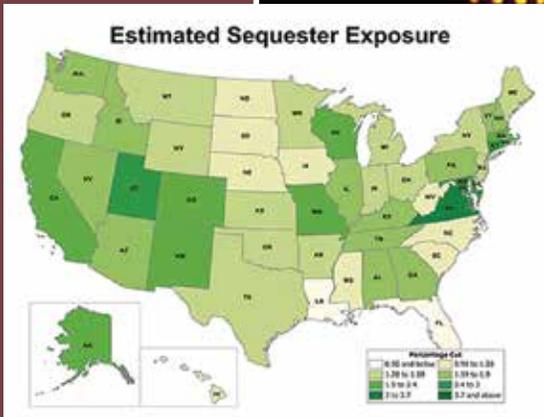


# SEQUESTRATION



## The State of the Region

HAMPTON ROADS 2013

REGIONAL STUDIES INSTITUTE | OLD DOMINION UNIVERSITY

**VIRGINIA BEACH-NORFOLK-  
NEWPORT NEWS, VA-NC  
METROPOLITAN STATISTICAL AREA**



October 2013

Dear Reader:

**T**his is Old Dominion University's 14th 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 2013 report is divided into eight parts:

**It Could Have Been (Much) Worse:** Sequestration, it turns out, did not damage our regional economy nearly as much as originally anticipated. Unfortunately, some daunting economic challenges still loom on the horizon.

**Our Housing Market Turns the Corner:** At long last, residential home sales and prices are up, while unsold housing inventory and foreclosures are down.

**Coal: A Very Important Economic Engine in Hampton Roads:** More coal is exported from Hampton Roads than any other port in the United States. The annual economic impact of this coal activity on our region approaches \$1 billion.

**Where Our City and County Governments Spend Their Money:** City and county governments in our region focus their spending on education and public safety. However, the specific choices they make sometimes can be surprising. Governmental units now face politically difficult decisions, such as closing under-enrolled schools.

**The Asian Indian Community of Hampton Roads:** This "model" minority group in our region has attained significant economic success and civic influence.

**Virtual Education at the K-12 Level in Hampton Roads:** Online education in our region is growing rapidly in a laissez-faire manner that exhibits little accountability.

**Mental Health Care in Hampton Roads: "Streeting," Guns and Budgets:** Virginia no longer institutionalizes many mentally ill individuals, but mental health budgets are insufficient to meet demands. The Commonwealth's rather lax gun laws limit our ability to keep guns out of the hands of dangerously mentally ill people.

**OK, Now What Should We Do? Is It Richard Florida's "Creative Classes" or Instead "Back to Basics" That Should Guide Our Future Regional Economic Growth?** Richard Florida's "creative class" theory of why cities and regions grow is popular, but does not explain the world as well as traditional theories that focus on human capital and technology. This chapter recommends specific policies for our region that are more likely than Florida's to stimulate economic growth and critiques several hot, current policy issues.

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.

The Aimee and Frank Batten Jr. Foundation	Hampton Roads Chamber of Commerce
R. Bruce Bradley	Kaufman and Canoles
Ramon W. Breeden Jr.	Thomas Lyons
Arthur A. Diamonstein	Patricia W. and J. Douglas Perry
George Dragas Jr.	Anne B. Shumadine

The following individuals were instrumental in the research, writing, editing, design and dissemination of the report:

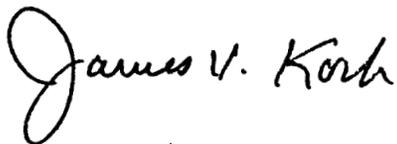
Vinod Agarwal	Steve Daniel	Janet Molinaro	Shara Weber
Kelly Brown	Elizabeth Janik	Ken Plum	Gilbert Yochum
Chris Colburn	Feng Lian	Ayush Toolsidass	
Vicky Curtis	Sharon Lomax	Gary Wagner	

Special recognition is due Vinod Agarwal and Gary Wagner of the Old Dominion University Economic Forecasting Project. 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](mailto:jkoch@odu.edu) or 757-683-3458 should you have any questions.

All 14 of the State of the Region reports may be found at [www.odu.edu/forecasting](http://www.odu.edu/forecasting) and [www.jamesvkoch.com](http://www.jamesvkoch.com). Single paper copies may be purchased for \$25.

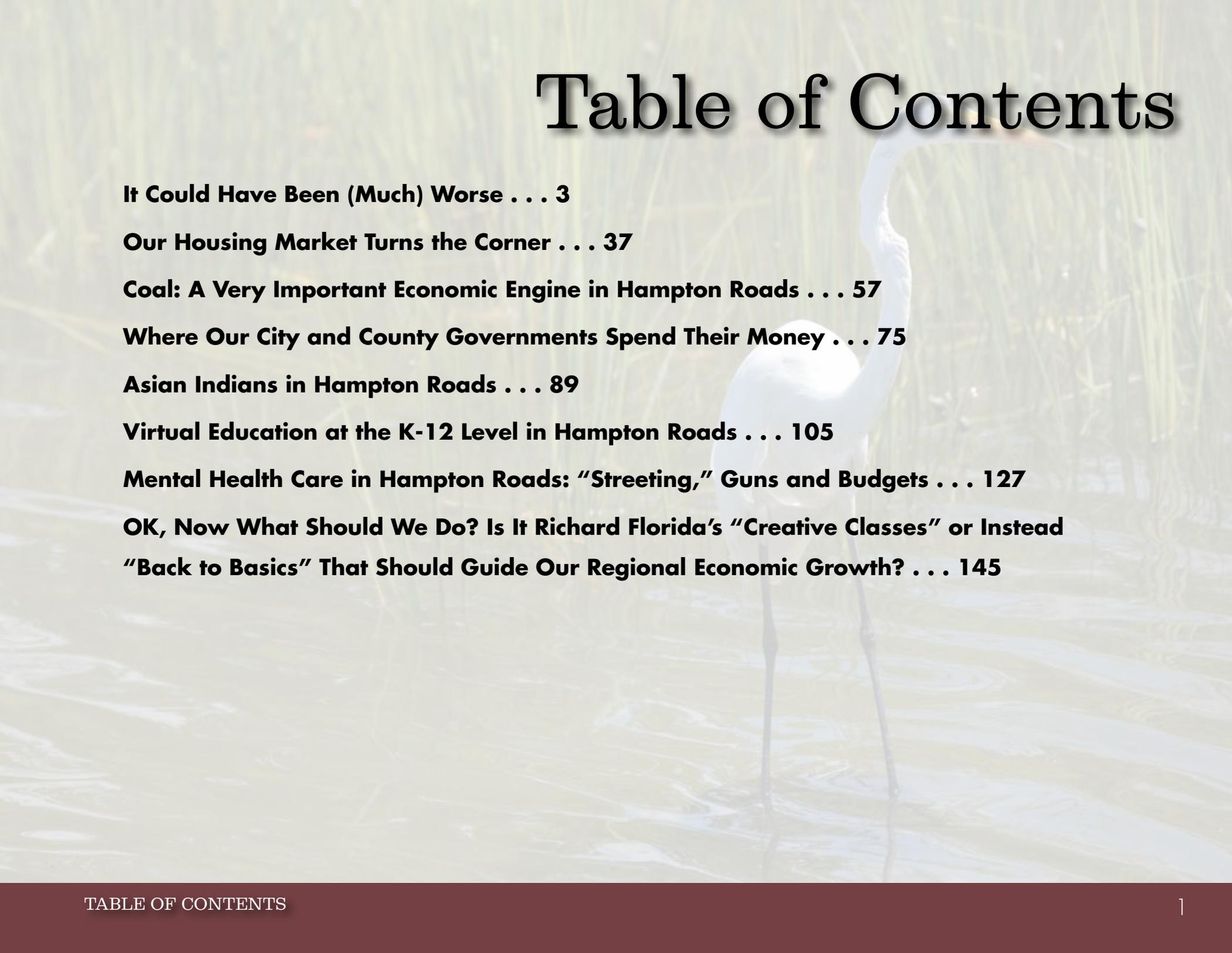
Sincerely,



James V. Koch

Board of Visitors Professor of Economics  
and President Emeritus

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Cover: Estimated Sequester Exposure map: "Federal spending by state," by Bill Testa and Jacob Berman, from Seventh Federal Reserve District Update, Aug. 9, 2013, [http://midwest.chicagofedblogs.org/archives/2013/08/federal\\_spendin.html](http://midwest.chicagofedblogs.org/archives/2013/08/federal_spendin.html)

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