



# State of the Commonwealth

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Old Dominion University

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I will discuss the COVID-19 pandemic in Virginia, the prospects for a continued recovery, and how geopolitical uncertainty may affect economic growth in the Commonwealth in the coming years.

I will also examine the potential impact of the planned casinos in Norfolk, Portsmouth, Danville, and Bristol.

James V. Koch will conclude with an examination of higher education and its role in providing upward economic mobility.

All our presentation materials can be found at our website: [www.ceapodu.com](http://www.ceapodu.com)





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# COVID-19 and the Virginia Recovery



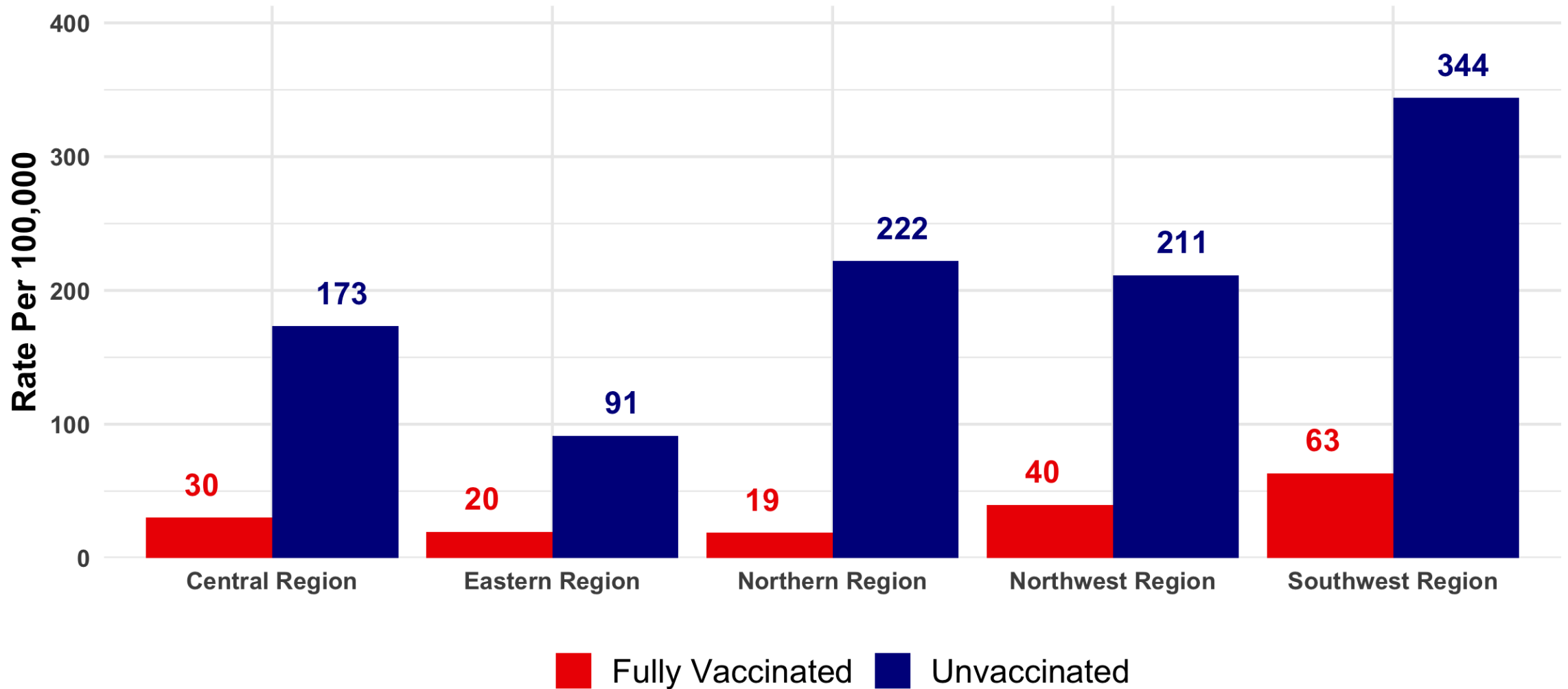
## 7-Day Moving Average of Daily COVID-19 Infections Virginia, April 1, 2020 - March 7, 2022



Sources: Virginia Department of Health and Dragas Center for Economic Analysis and Policy.

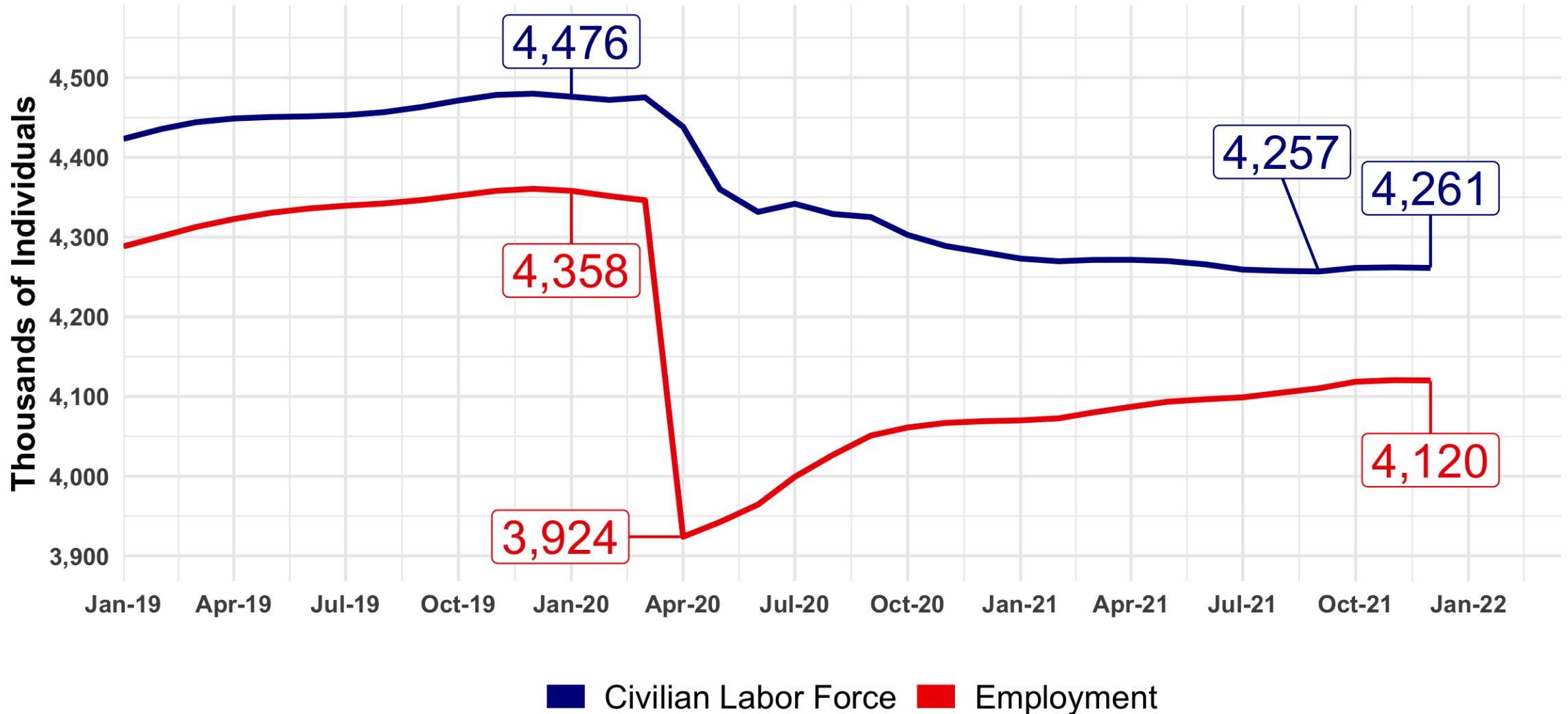
## COVID-19 Infections by Vaccination Status, Virginia Health Regions

### Rate Per 100,000 Per Vaccination Group, Week of February 26, 2022



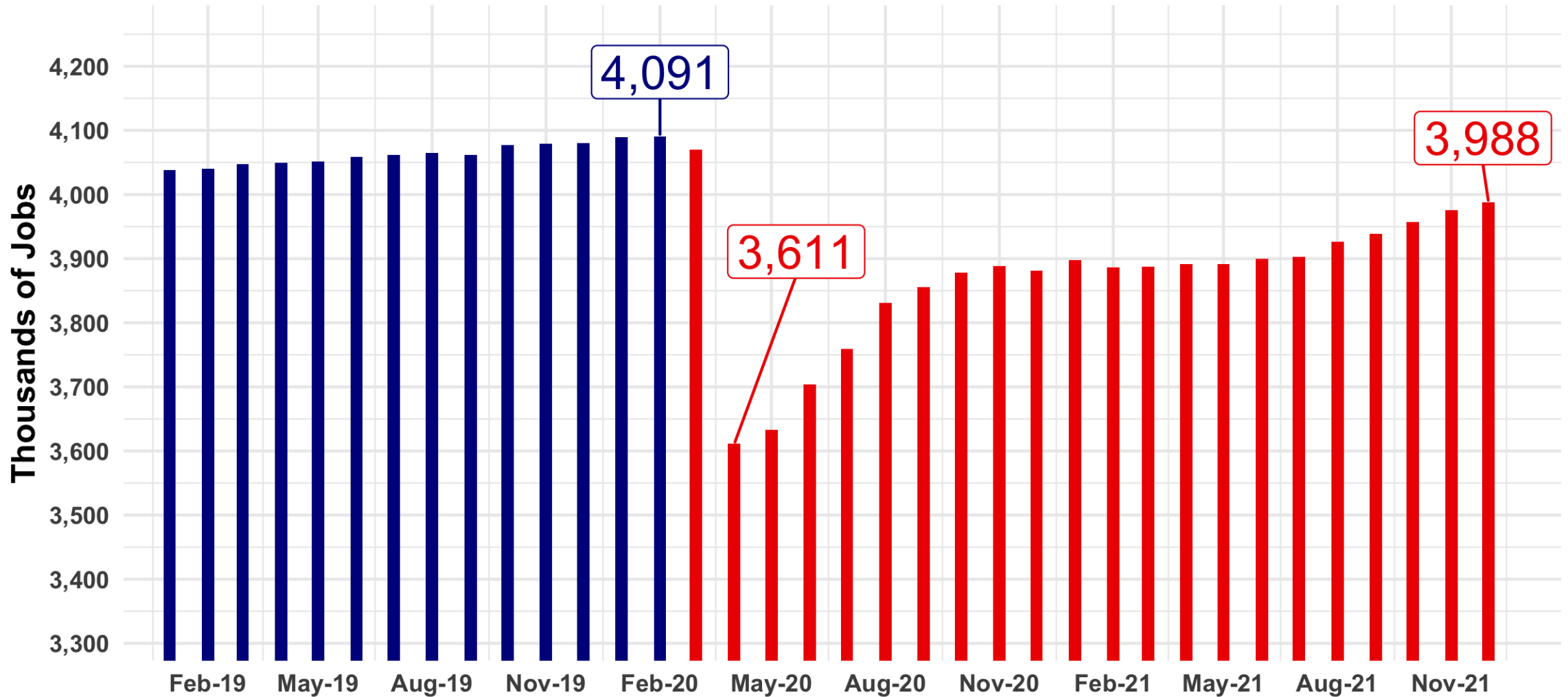
Sources: Virginia Department of Health, Centers for Disease Control and Prevention, and Dragas Center for Economic Analysis and Policy. 2019 NCHS population estimates.

## Civilian Labor Force and Individual Employment Virginia, January 2019 - December 2021



Source: Bureau of Labor Statistics, seasonally adjusted data.

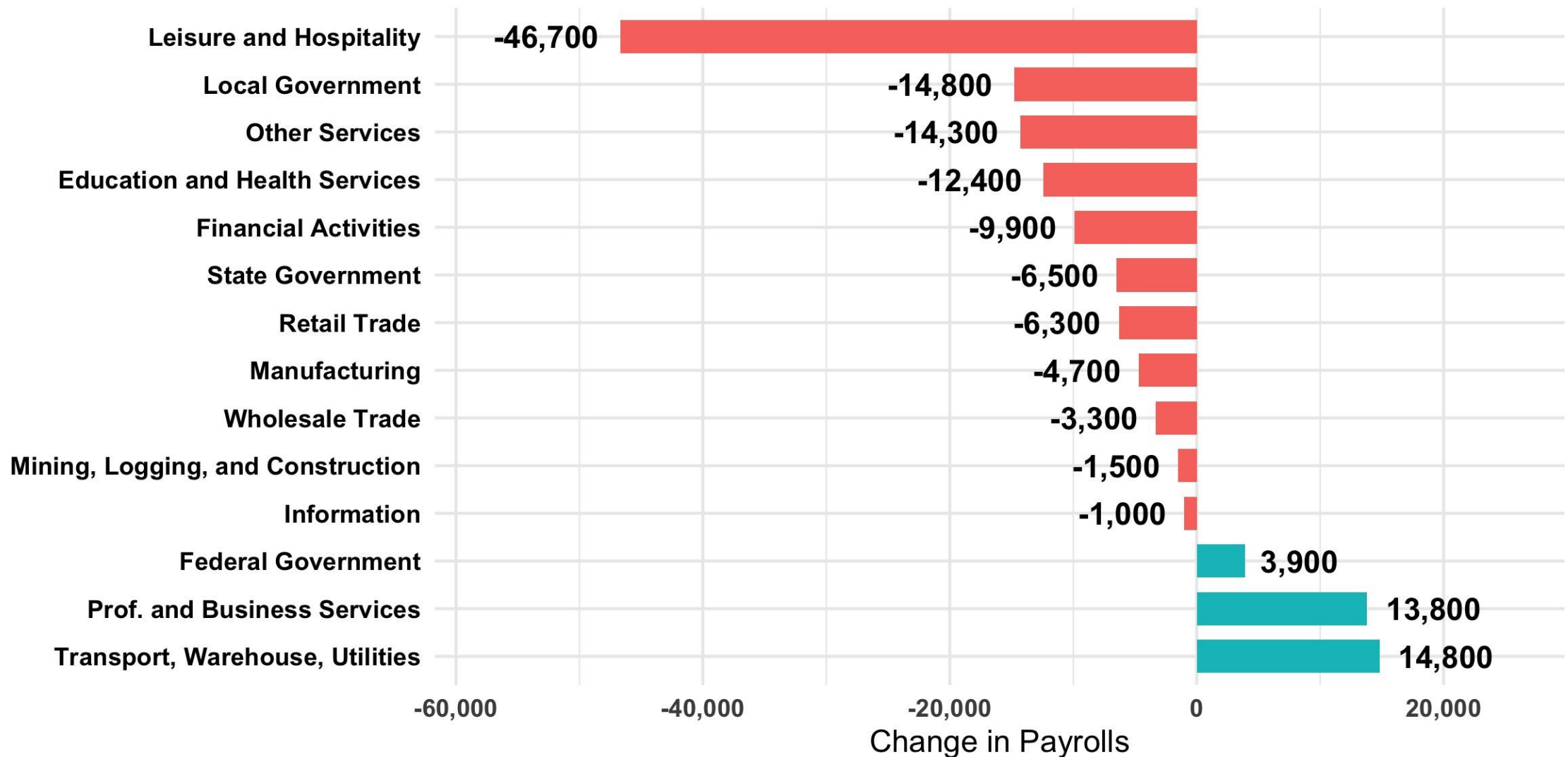
## Nonfarm Payrolls (Jobs) Virginia, January 2019 - December 2021



Source: Bureau of Labor Statistics, seasonally adjusted data.

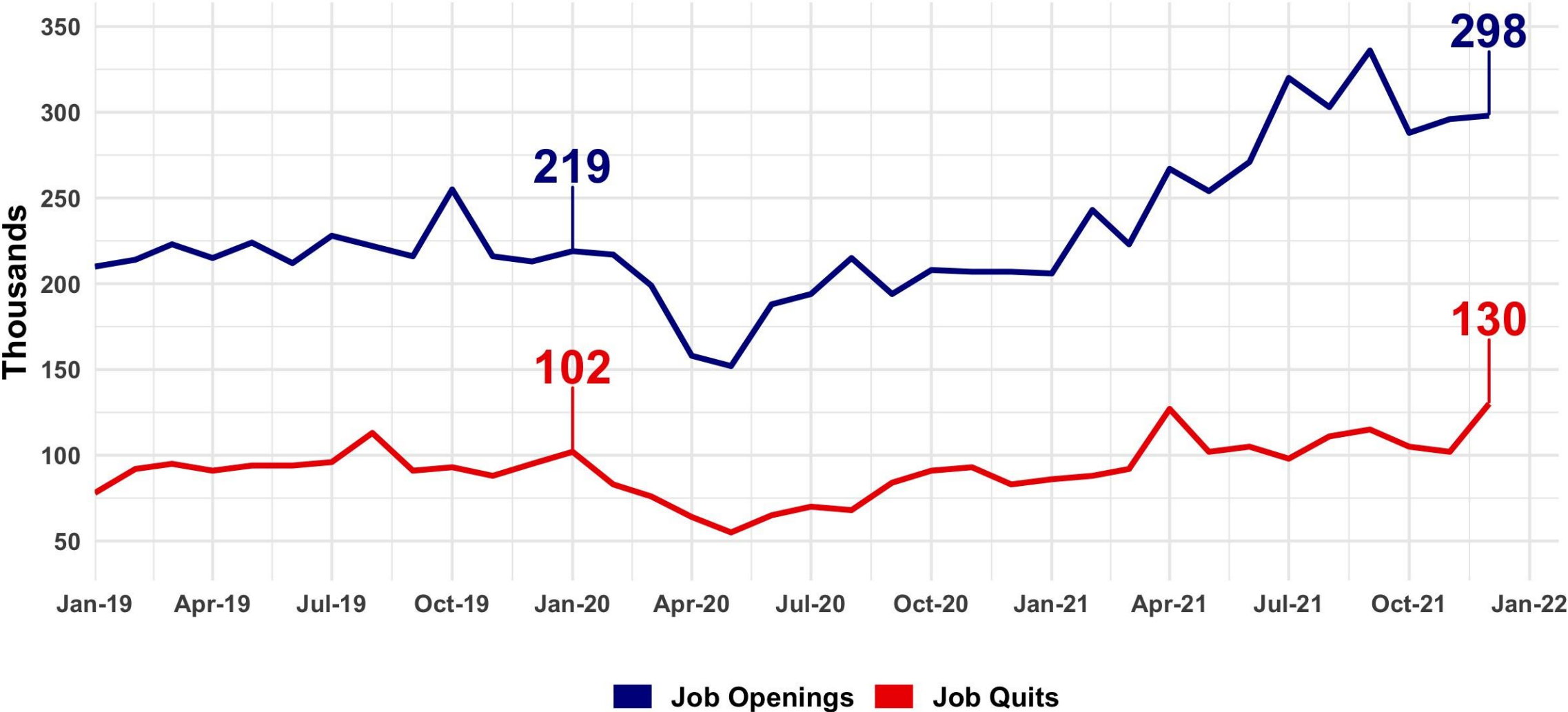


## Change in Nonfarm Payrolls (Jobs) Virginia, December 2019 - December 2021



Sources: Bureau of Labor Statistics, non-seasonally adjusted data, and the Dragas Center for Economic Analysis and Policy.

**Job Openings and Quits**  
**Virginia, January 2019 - December 2021**



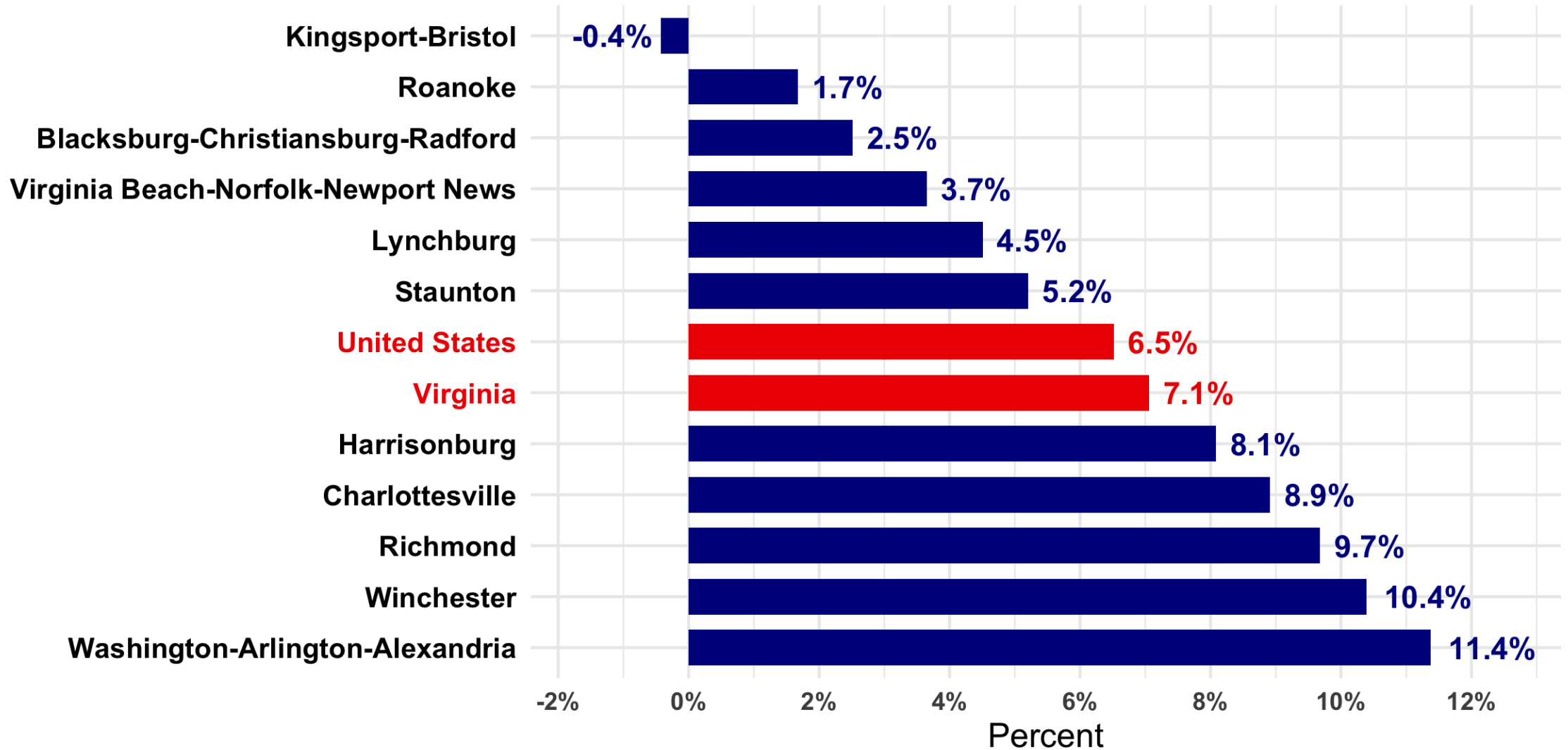
Source: Bureau of Labor Statistics, seasonally adjusted data.

# The Recovery in Virginia's Metropolitan Areas

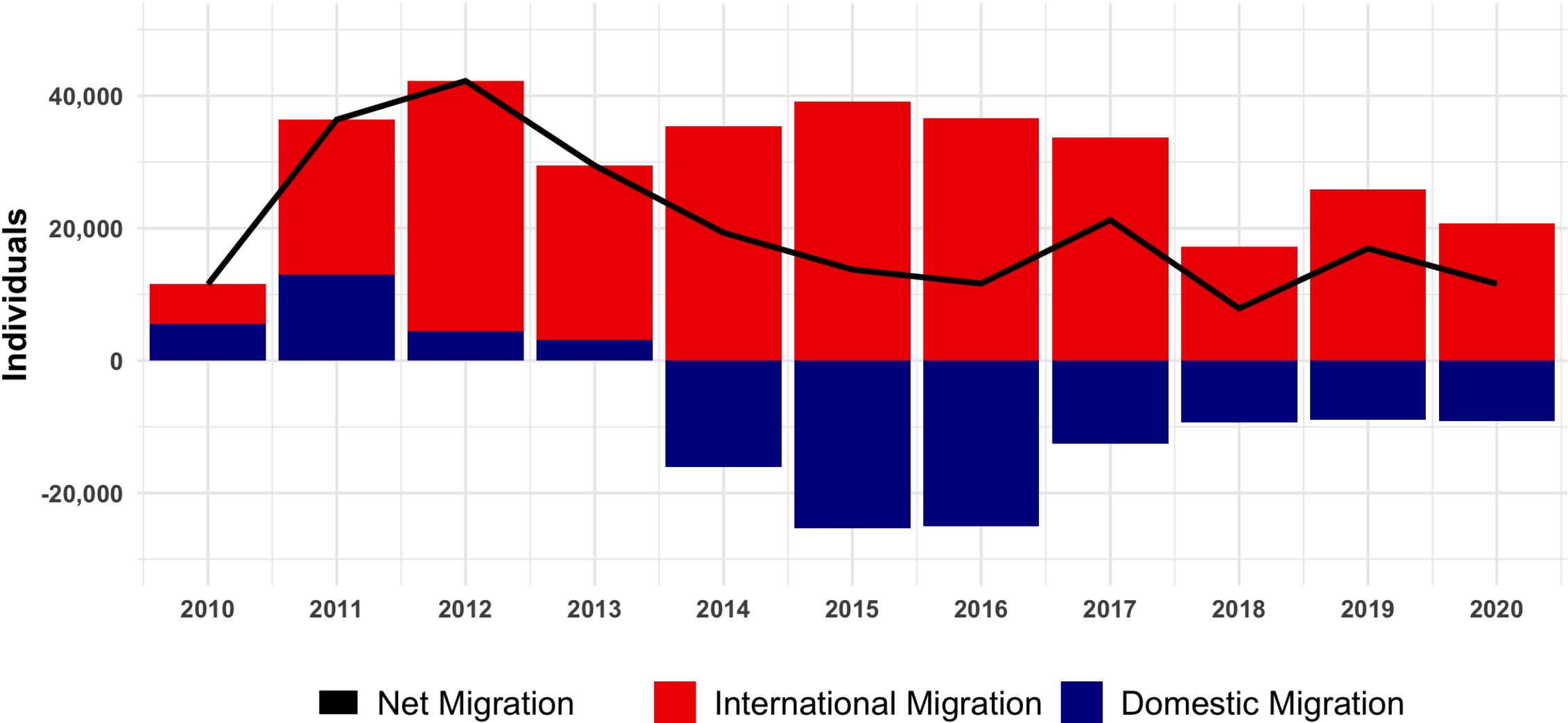




## Total Population Change 2010 - 2020

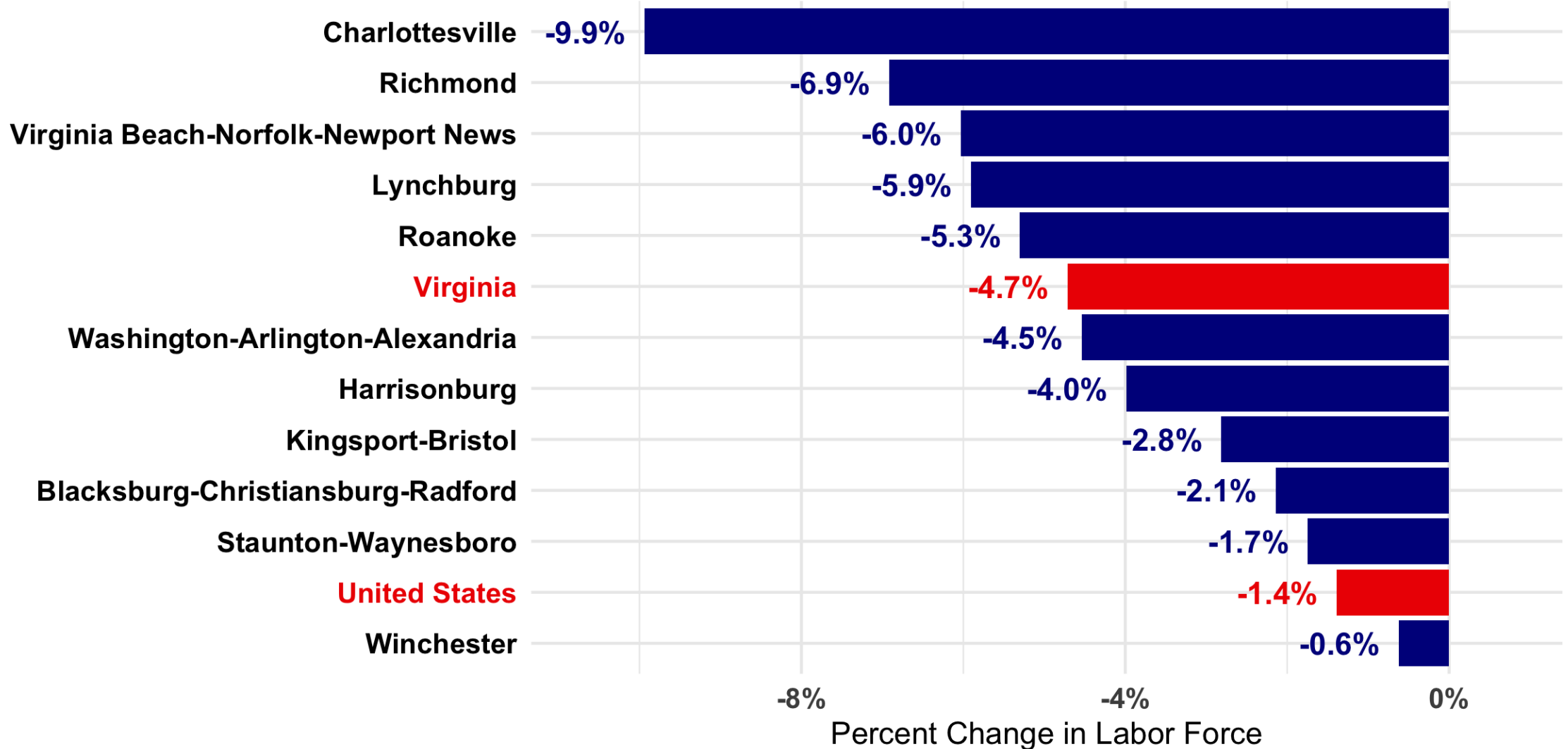


# Net Domestic Migration, Net International Migration, and Net Migration Virginia, 2010 - 2020



Sources: U.S. Census Bureau's Vintage 2020 Population Estimates and Dragas Center for Economic Analysis and Policy.

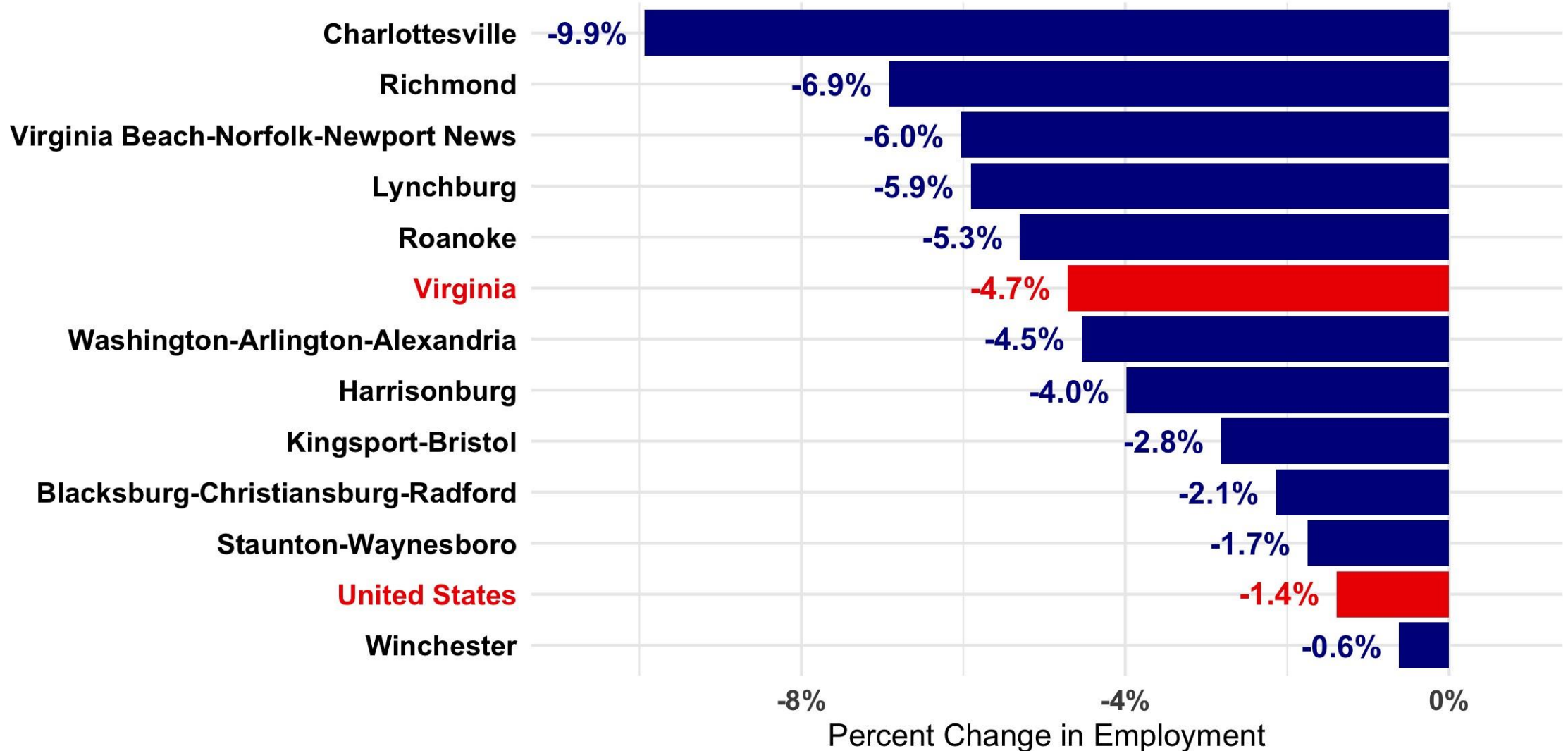
## Percent Change in the Civilian Labor Force February 2020 - December 2021



Source: U.S. Bureau of Labor Statistics, seasonally adjusted data.

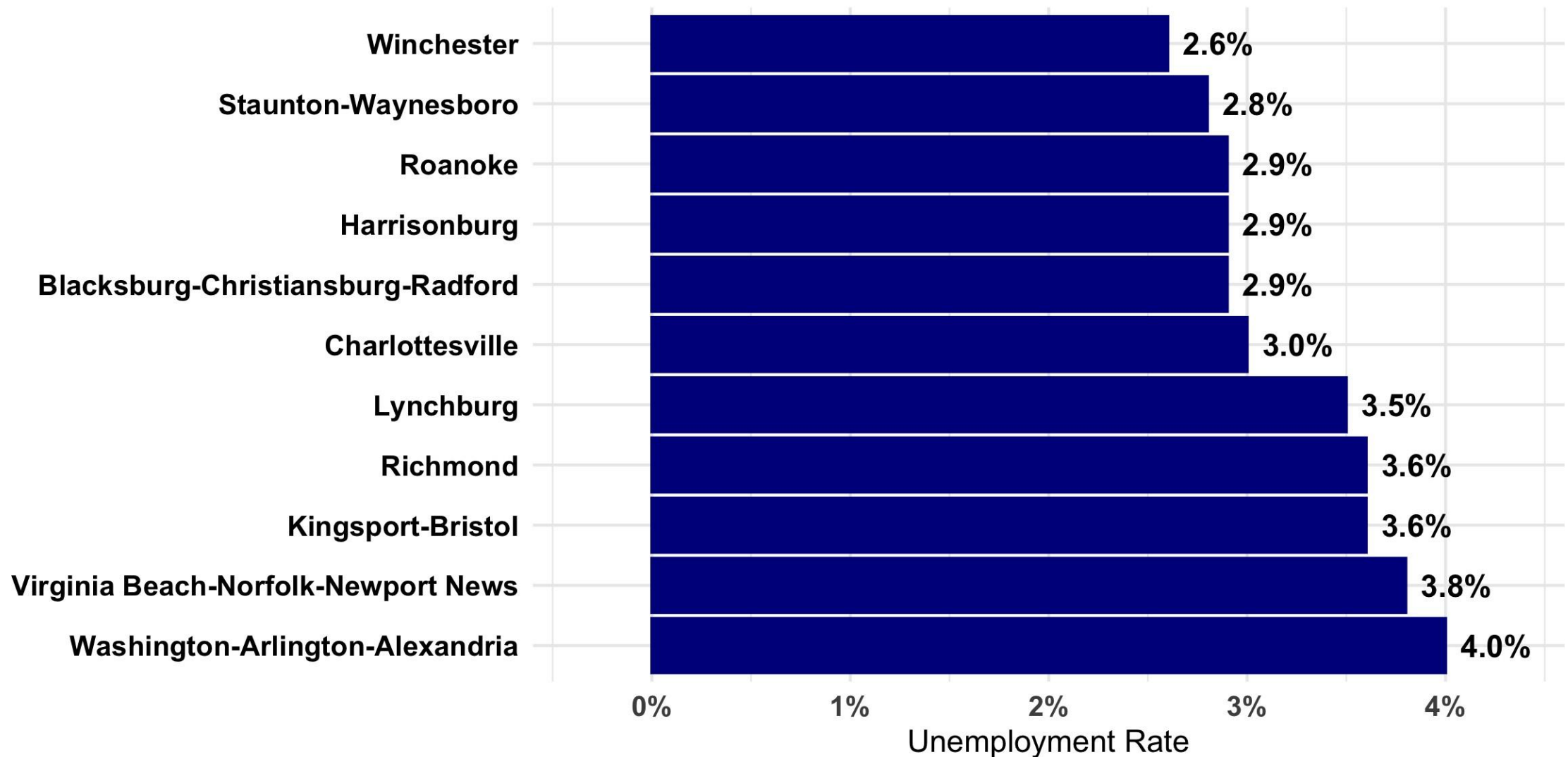


## Percent Change in Individual Employment February 2020 - December 2021



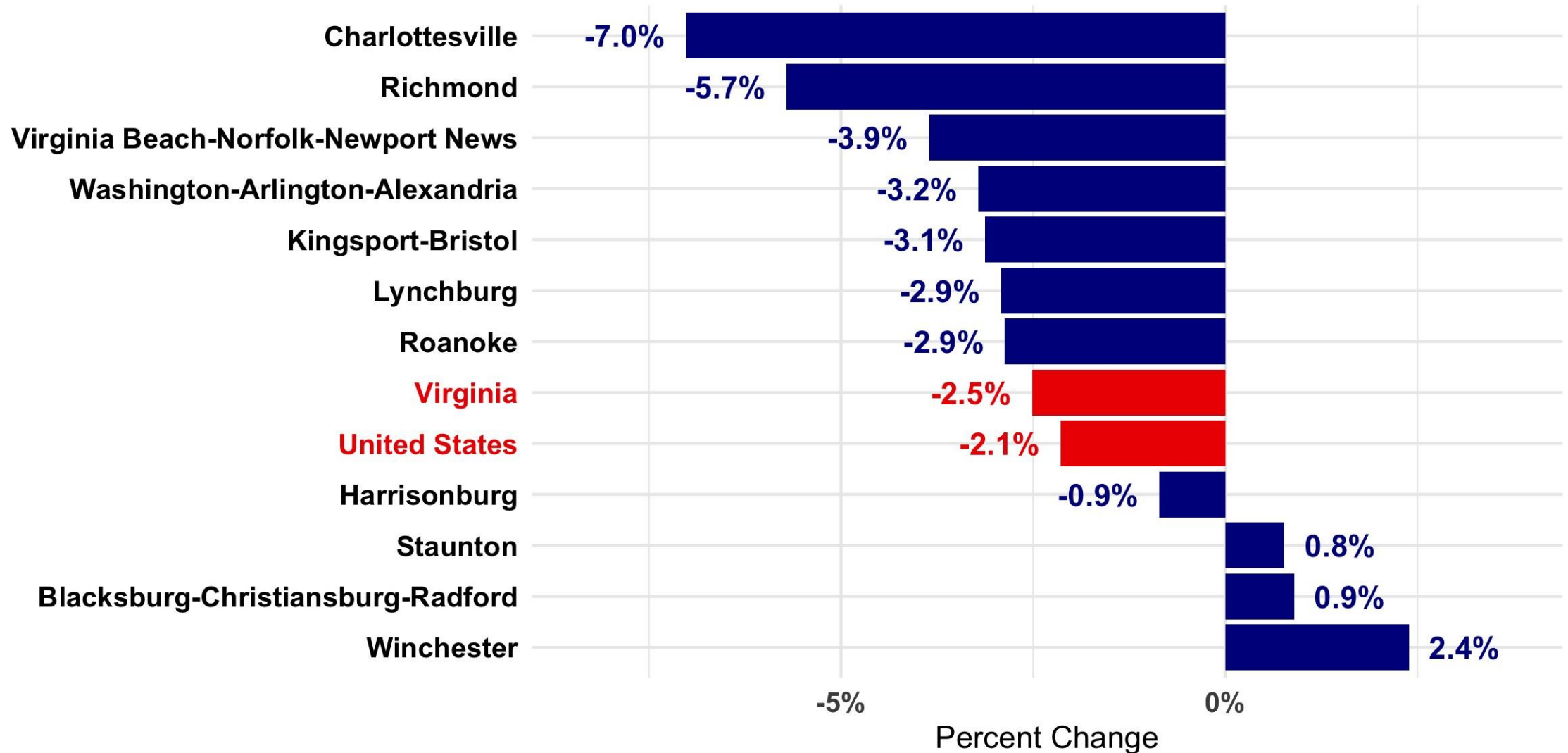
Source: U.S. Bureau of Labor Statistics, seasonally adjusted data.

## Unemployment Rate Virginia's Metropolitan Areas, December 2021



Source: U.S. Bureau of Labor Statistics, seasonally adjusted data.

## Percent Change in Nonfarm Payrolls (Jobs) February 2020 - December 2021



Source: U.S. Bureau of Labor Statistics, seasonally adjusted data.



# Looking Ahead

- The 'Great Resignation' transitions to the 'Great Renegotiation' as workers seek higher wages in the face of higher inflation.
- The Federal Reserve continues to lag inflationary expectations and inflation will likely exceed 5% in 2022.
- Russia's invasion of Ukraine lifts defense spending, however, drone warfare, cyber warfare, and cost asymmetry pose threats to the defense industrial base in Virginia.
- While every recession has not been caused by an energy price shock, energy price shocks are highly correlated with downturns in consumer confidence and economic activity. Equity and real estate markets appear ripe for correction.
- Uncertainty and market volatility will continue over the coming months. Recessionary risk is rising, leading to the increased possibility of slower growth coupled with increasing inflation.



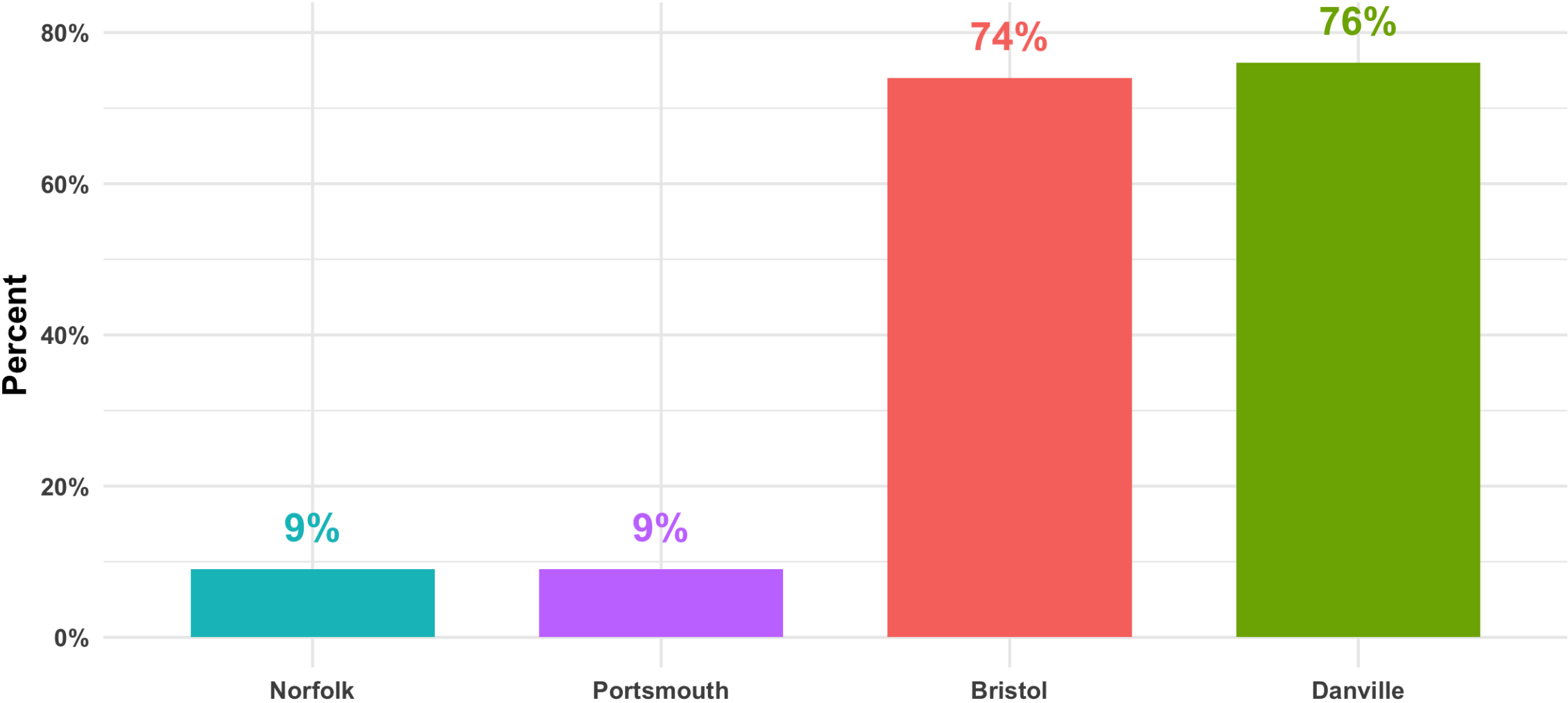
# A Winning Bet? Casinos in Virginia

# Virginia Goes All-In

- Lotteries helped fund the construction of the College of William & Mary and the provisioning of colonial soldiers during the Revolutionary War. By the 1900s, Virginia had outlawed most forms of gambling.
- In 1987, voters approved the formation of the Virginia Lottery. Since 2015, Virginians can buy lottery tickets online, place sports bets on their phones, and play historical horse racing machines.
- In the coming years, residents will be able to visit casinos in Bristol, Danville, Norfolk, and Portsmouth.
- We take public pronouncements of employment, expected revenue, and visitors at face value. More, not less, information is needed to inform the public on investments, jobs, and spending.

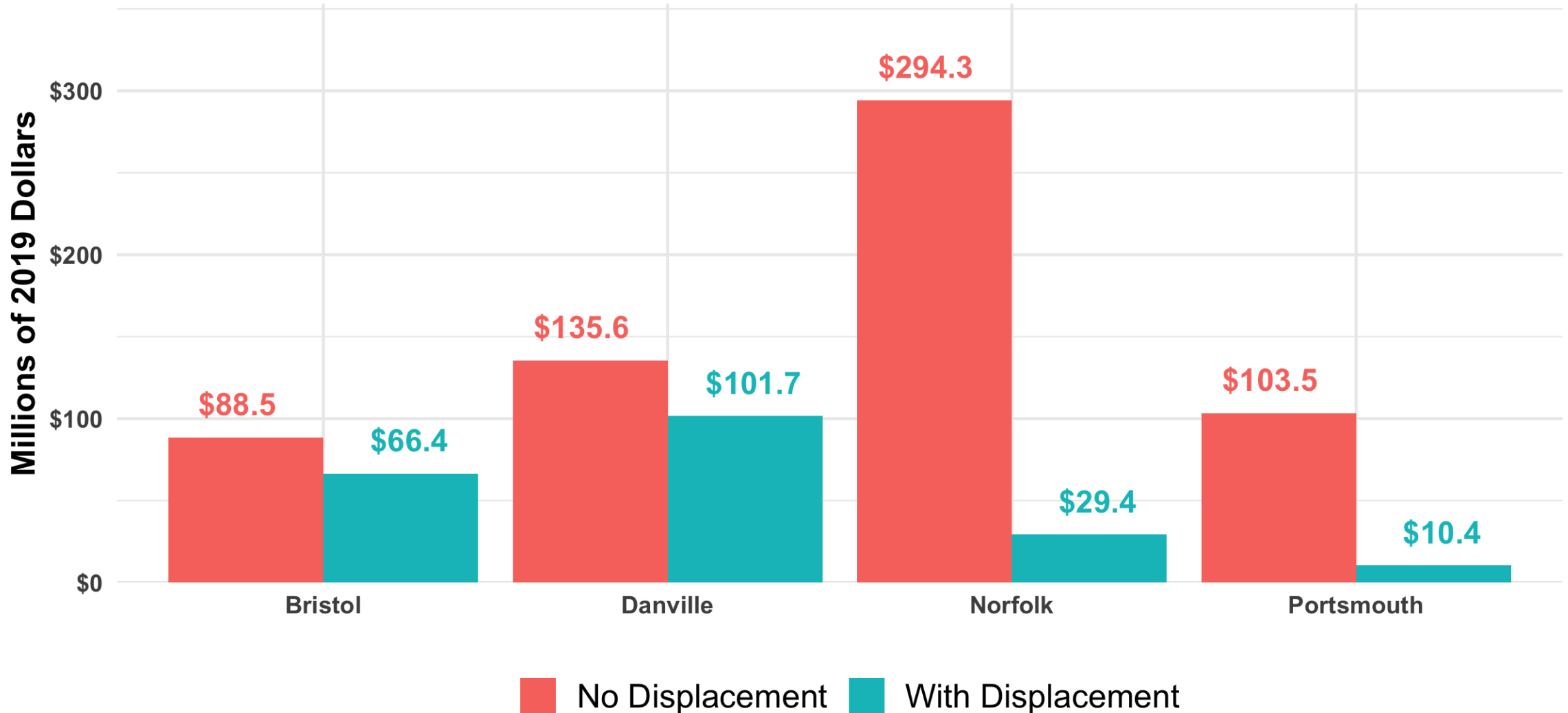


Percentage of Net Gaming Revenue from Out-of-State Customers  
Planned and Proposed Casinos in Virginia

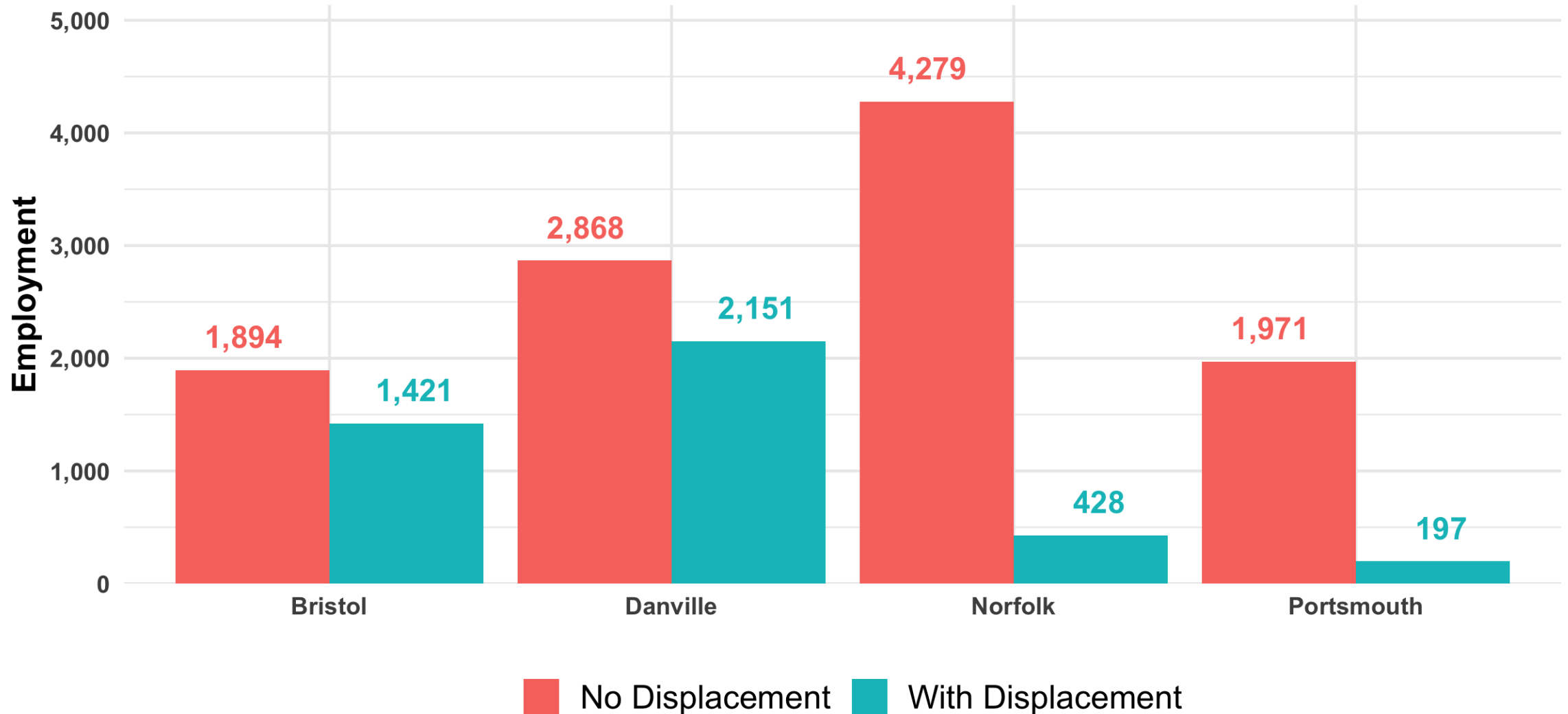


Sources: 2019 JLARC casinos report and Dragas Center for Economic Analysis and Policy.

## Estimated Annual Economic Impact of Casinos on Local Gross Domestic Product Planned and Proposed Casinos in Virginia



## Estimated Annual Economic Impact of Casinos on Employment Planned and Proposed Casinos in Virginia



Source: Dragas Center for Economic Analysis and Policy.

# A Winning Bet for Some Cities

- The final impact of casinos depends on where one stands.
- The cities of Bristol, Danville, Norfolk, and Portsmouth will see tax revenues rise as casinos open.
- The larger the displacement, the smaller the net economic impact on the region.
- **As online gambling rises in popularity, will people travel frequently to casinos?**
- The social costs of gambling will rise, increasing demand for public services.
- **We would be happy to be proven wrong, but the impact of the casinos on regional economic activity will likely range between 0.3% and 0.5% of GDP.**



# Looking at Higher Education Through a Different Lens







UMSL remains on the rise in latest US News 'Best Colleges' rankings

## USF Shines in New College Rankings

BY ZOE BINDER '23, USF NEWS ♦ POSTED MON, 09/13/2021 - 07:14

SEPTEMBER 13, 2021

GOUCHER COLLEGE RECOGNIZED IN 2022 U.S. NEWS &  
WORLD REPORT BEST COLLEGES



- But *U.S. News and World Report* does not care very much whether a campus provides its students with upward economic mobility, serves lower income students, or serves minority students.
- These things receive little attention in its rankings--- e.g., social mobility receives a 5% weight and the other factors zero.
- What if we developed a ranking that recognized an institution's ability to move people upward and paid attention to whom it is serving?

# A Different Way To Rank: *Third Way's Upward Economic Mobility*

## **(1) Compute the speed of the economic payoff**

**= Number of Years It Takes to Recoup Net Cost of Attendance**

## **(2) Weight This Measure by the Percentage of Pell Grant Students on Campus**

**E.g., Old Dominion University. 2.61 years to pay down net cost (lower is better); 39.2% Pell Grant Students (higher is better). This ranked ODU 128<sup>th</sup> nationally out of 1,500 but was the best ranking in Virginia.**

# The Mobility Rankings

- |                        |                           |
|------------------------|---------------------------|
| 1) Old Dominion U      | 13) Longwood U            |
| 2) George Mason U      | 14) Virginia State U      |
| 3) Southern Virginia U | 15) U Mary Washington     |
| 4) Radford U           | 16) Regent U              |
| 5) UVA Wise            | 17) Virginia Tech         |
| 6) VCU                 | 18) U Virginia            |
| 7) Norfolk State U     | 19) James Madison U       |
| 8) Emory & Henry C     | 20) William & Mary        |
| 9) U Richmond          | 21) Hampton U             |
| 10) Marymount U        | 22) Christopher Newport U |
| 11) Mary Baldwin U     | 23) Virginia Wesleyan U   |
| 12) Roanoke C          |                           |

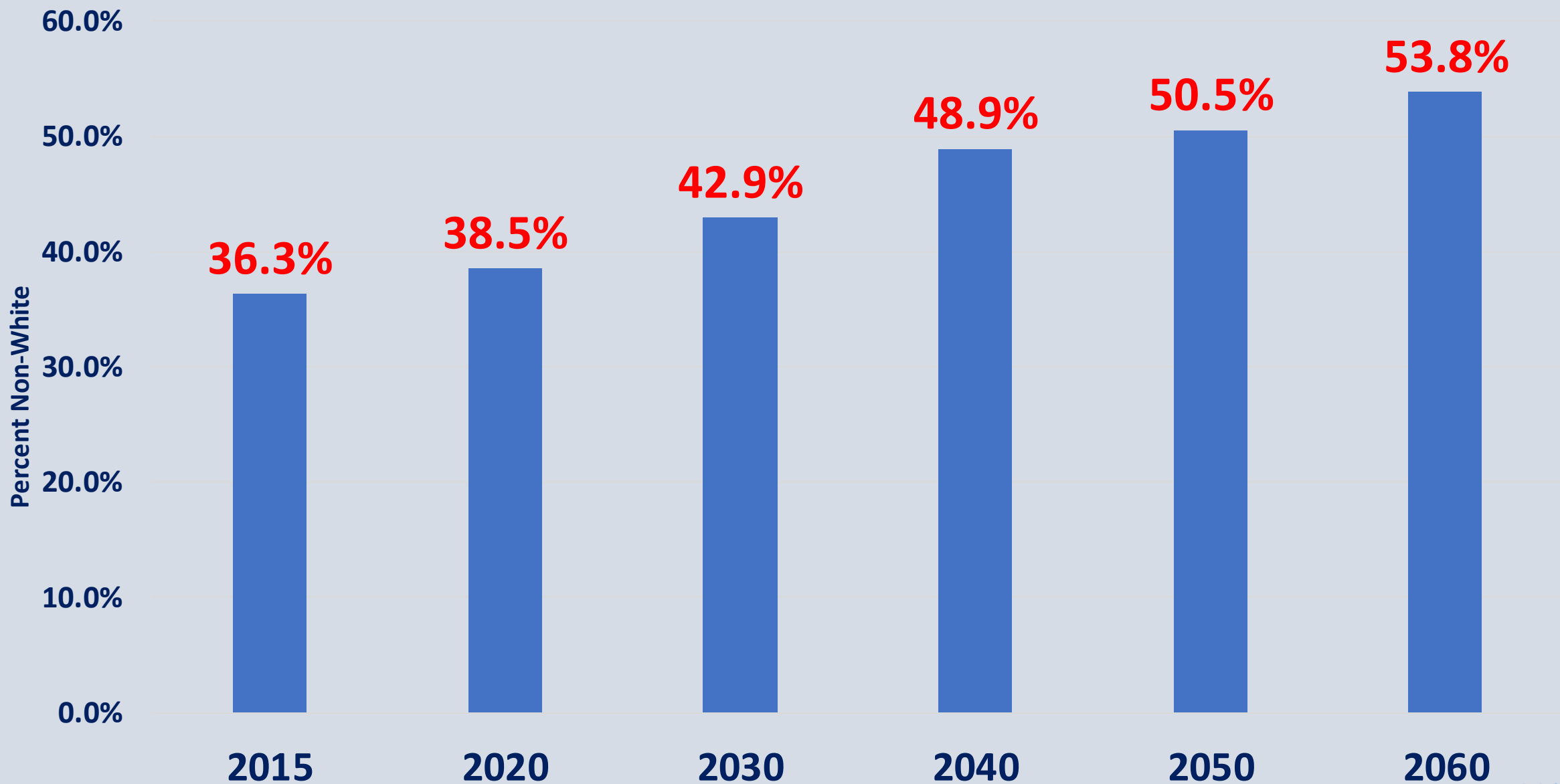
- **How much publicity and media coverage did this ranking receive when it came out about two months ago?**
- **Close to zero.**



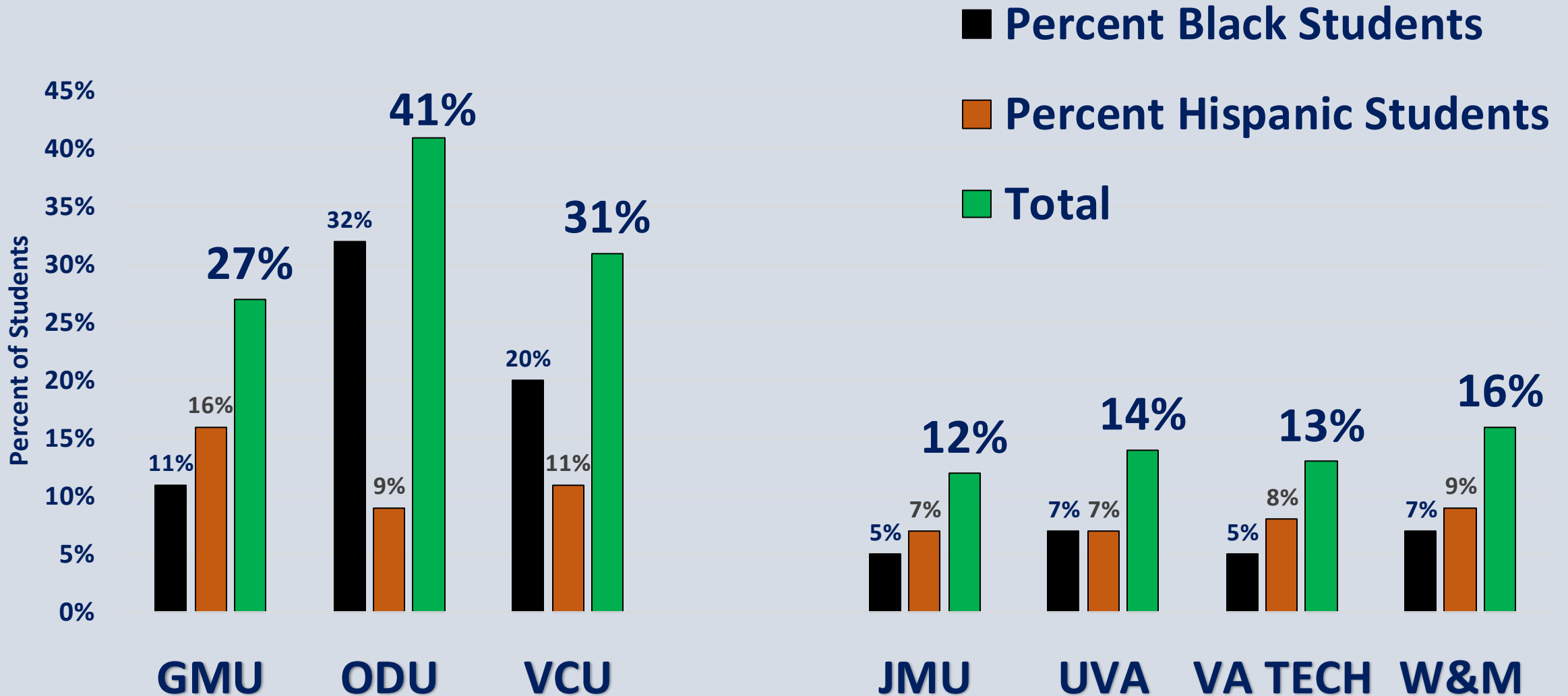
## Why Should You Care?

- Because the workforce of the future will be composed predominantly of individuals who graduate from the institutions that have scored well on the mobility list.
- A majority of the individuals who will constitute the new additions to the national labor force are being served only sparingly by the institutions that are at the top of the *U.S. News* rankings. This is especially true in Virginia.
- Let's look at the evidence.

## Percent Non-White Members of the U.S. Labor Force



# Percent Black and Hispanic Students: Virginia Institutions, 2020



# The Ladder to Success Simile



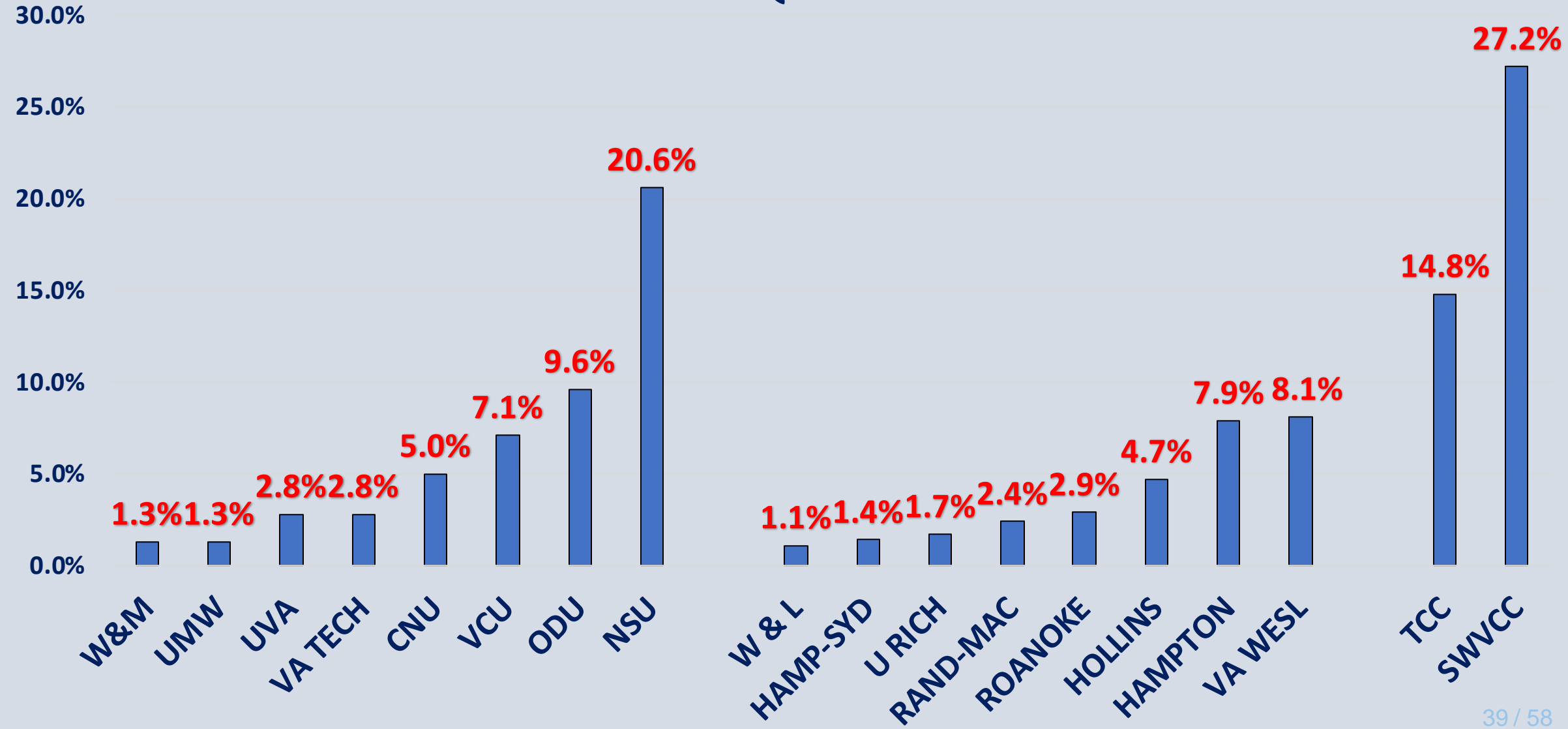


- The City College of the City University of New York (CUNY) by itself can claim Colin Powell, Jonas Salk, Woody Allen, Henry Kissinger, Felix Frankfurter, Andy Grove, Ed Koch, Eli Wallach, Alfred Stieglitz, Edward G. Robinson, Bernard Baruch, Ira Gershwin, Upton Sinclair, Kenneth Arrow, Abraham Maslow, A. Philip Randolph and Alan Dershowitz as graduates.
- A single flagship state university, the University of California Berkeley, includes on its list of alumni individuals such as Steve Wozniak, Earl Warren, Gregory Peck, Jerry Brown, Daniel Kahneman, Robert McNamara, Jack London, Betty Friedan and Michio Kaku. Impressively, 29 Berkeley graduates have earned a Nobel Prize.
- Graduates of our nation's Historically Black Colleges and Universities (HBCUs) include Martin Luther King, Thurgood Marshall, Oprah Winfrey, Spike Lee, Toni Morrison, Alice Walker, Samuel L. Jackson, Marion Wright Edelman, Langston Hughes, Ralph Ellison and Booker T. Washington.

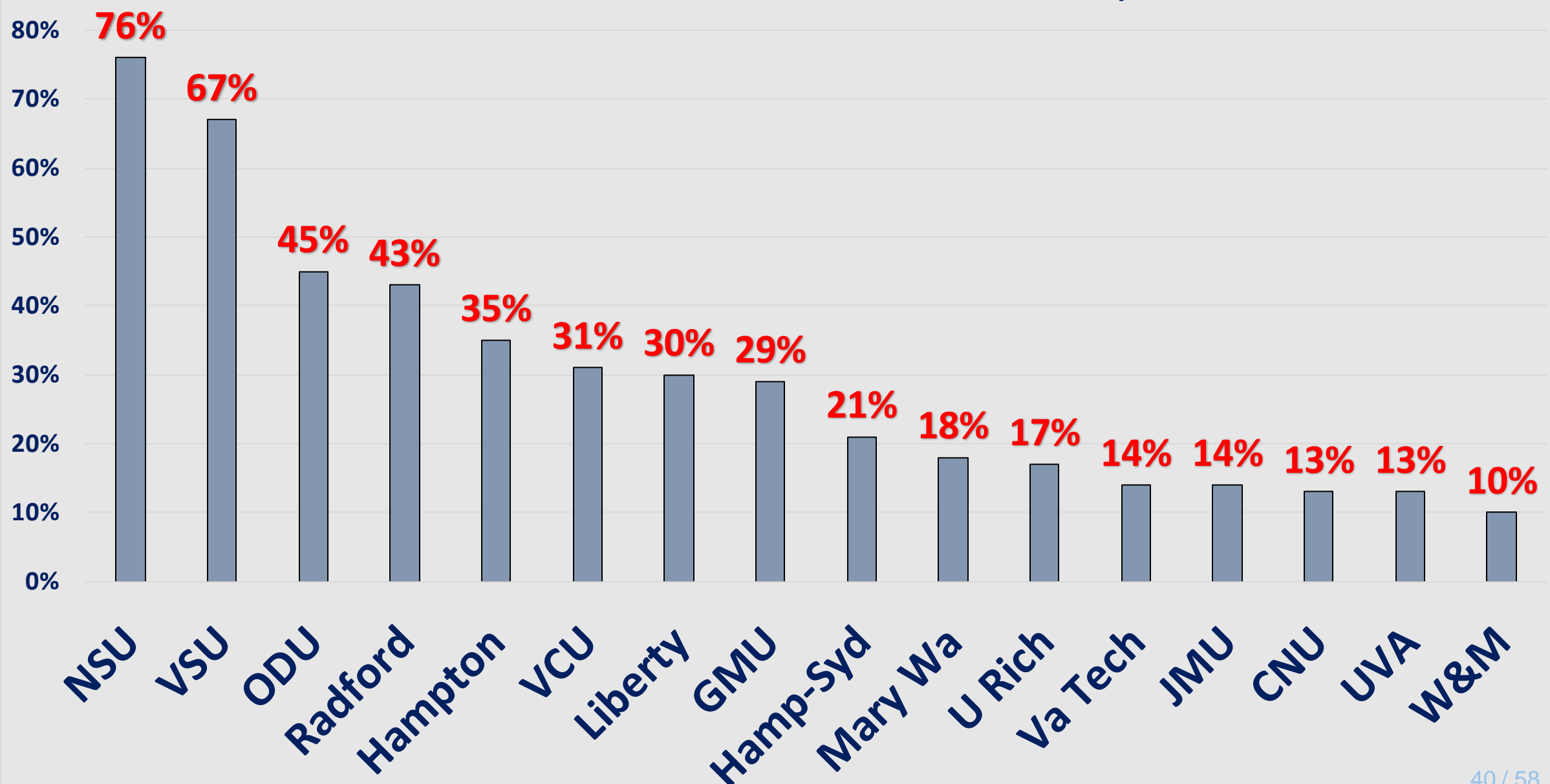
## But intergenerational income mobility has fallen

- For cohorts of individuals born between 1940 and 1980, the probability that children will earn incomes higher than their parents declined **18 percent** (Raj Chetty and the Opportunity Insights group at Harvard) from beginning to end.
- A more recent Federal Reserve Bank of Chicago study found similar results when it looked at parents and daughters.

# Percent of Students Coming from Lowest Income Quintile Household



# Percent Freshmen Pell Grant Students, 2020

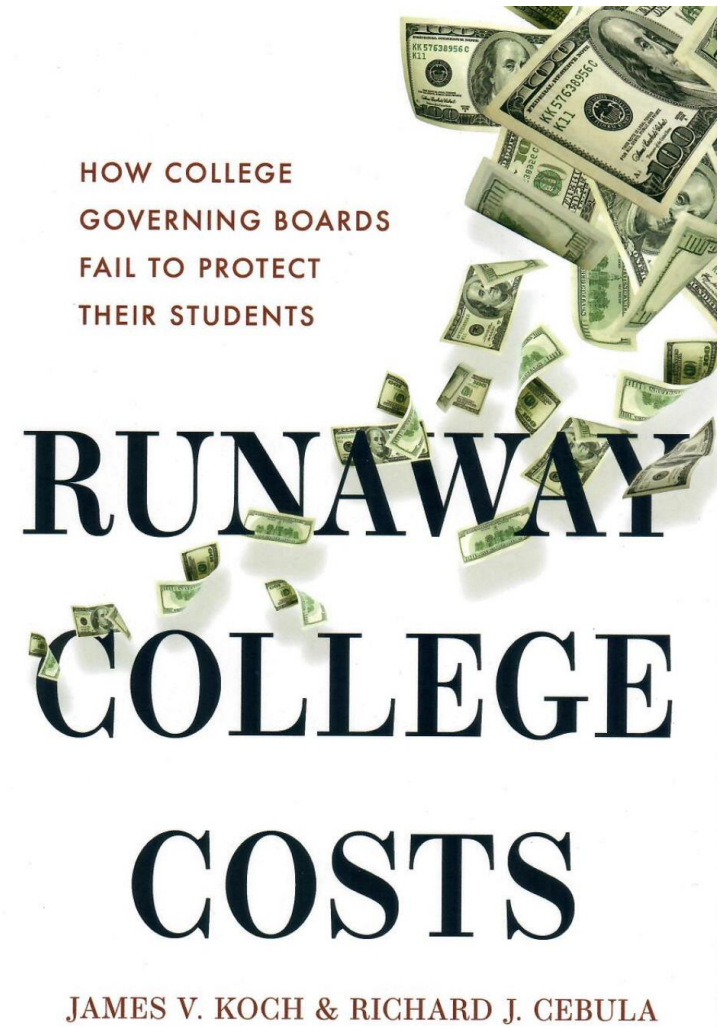
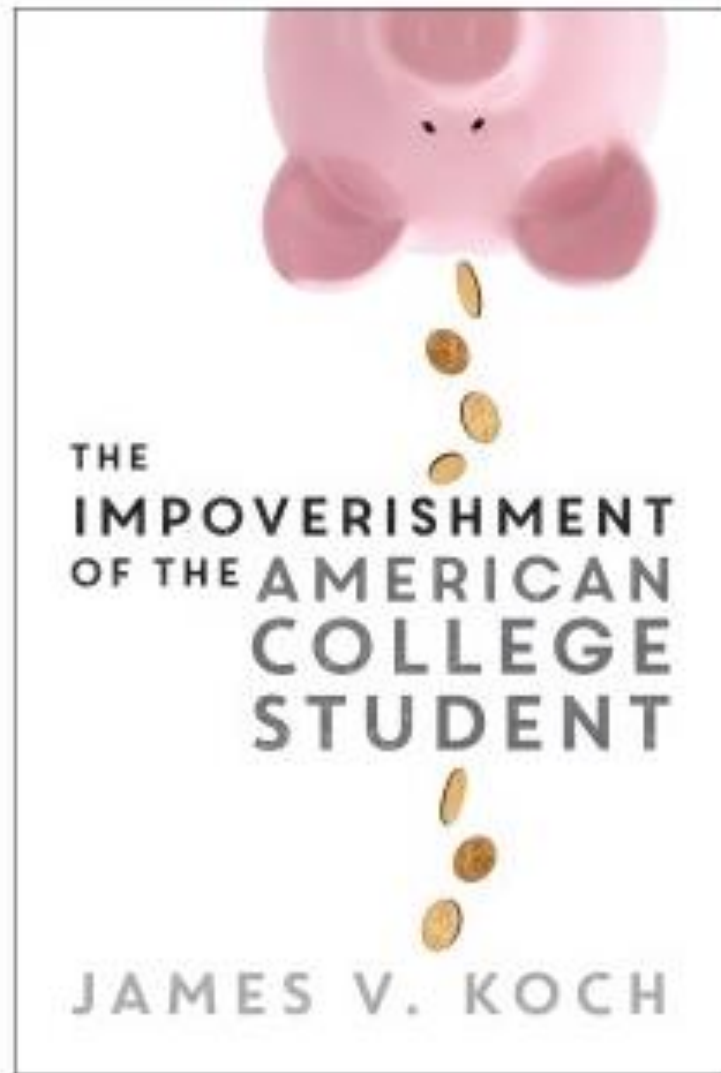




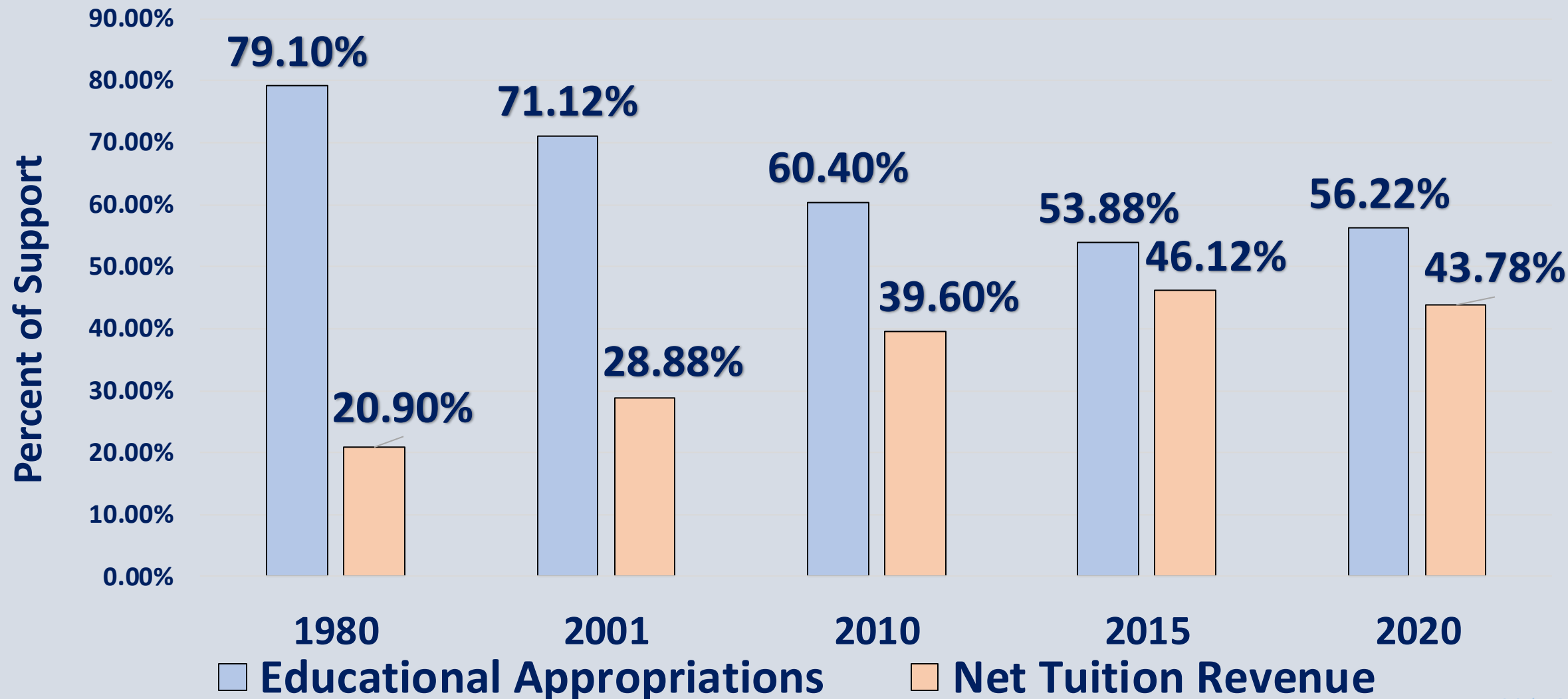


There is not a single cause for what we are seeing, but instead multiple causes. Not one reason, but many different reasons. Among the most important:

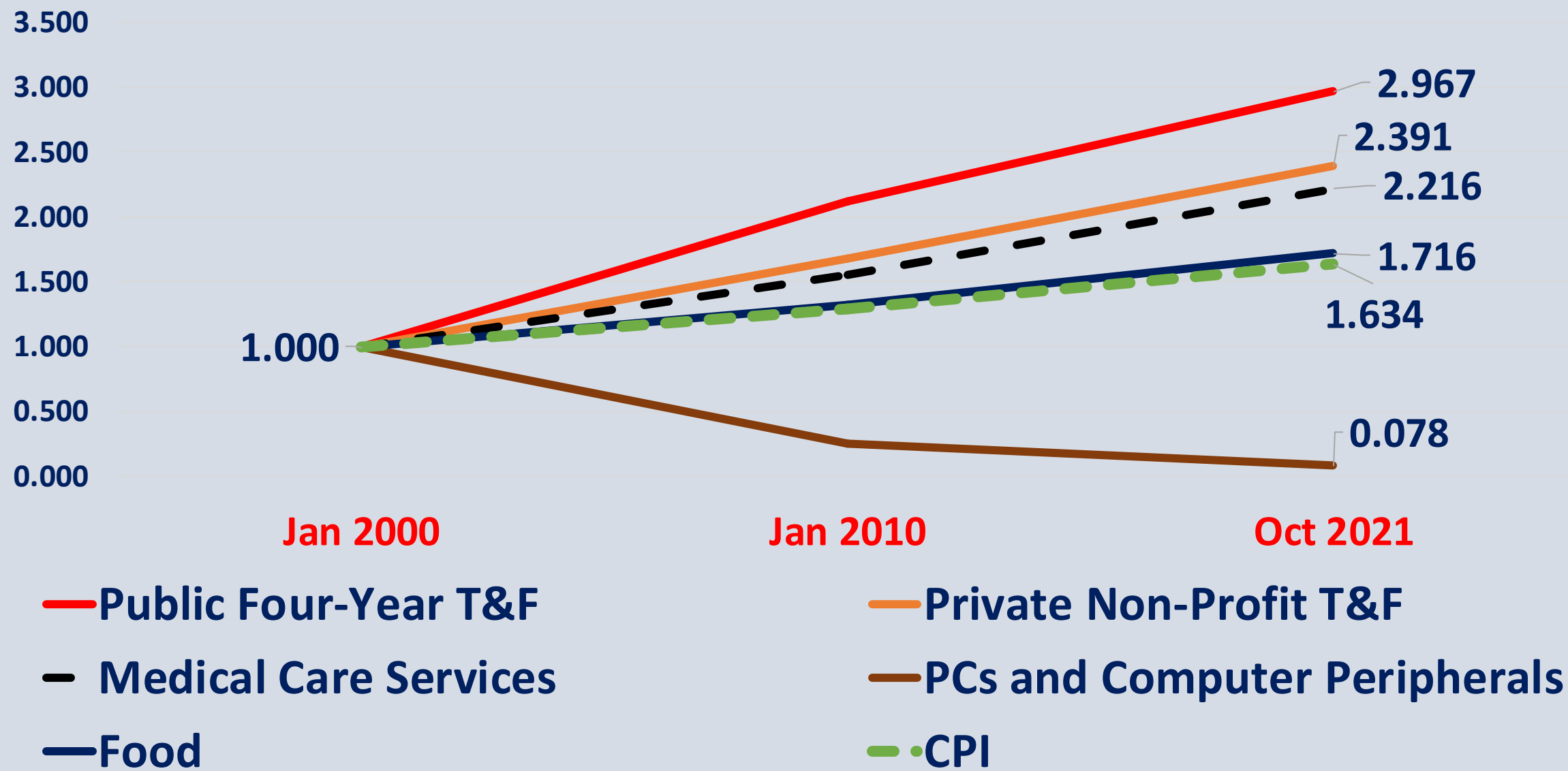
- 1) Declining state financial support
- 2) Brand Name institutions have acquired substantial price-making power
- 3) *Bowen's Law* (raise all the money you can; spend all you raise)
- 4) *Baumol's Cost Disease*
- 5) Amenities competition (intercollegiate athletics, lazy rivers, *USNWR* ratings, etc.)
- 6) Federal financial aid policies
- 7) Administrative bloat
- 8) Co-opting of governing boards
- 9) Failure to price valuable inputs
- 10) Weak or no statewide governing boards



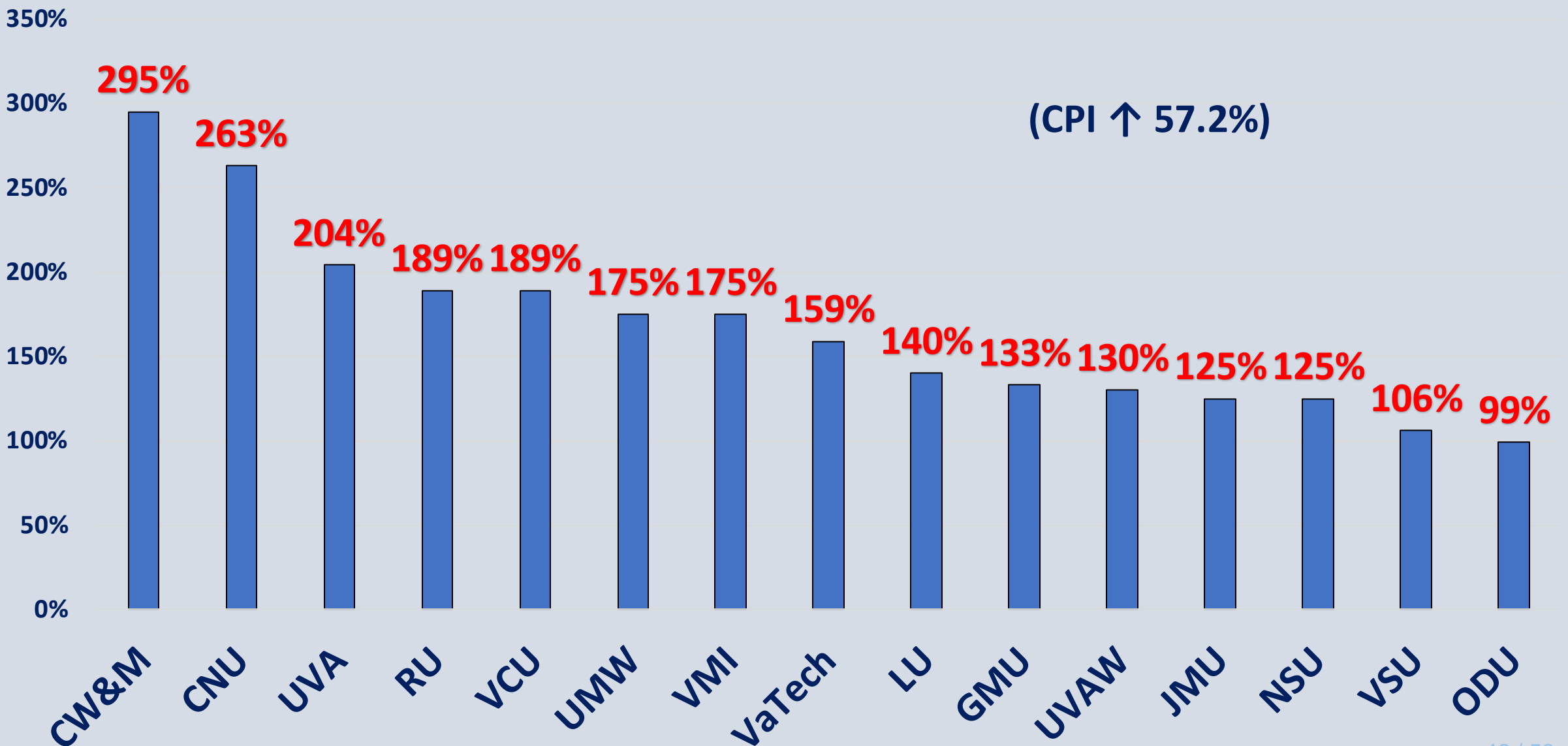
# Tracing Changes in the Financial Contributions: States v. Students, FY 1980 to FY 2020



# Comparing Price Changes, 2000-2021



# Percent Increase in In-State Tuition and Fees Above Growth of the CPI, 1998-99 to 2018-19

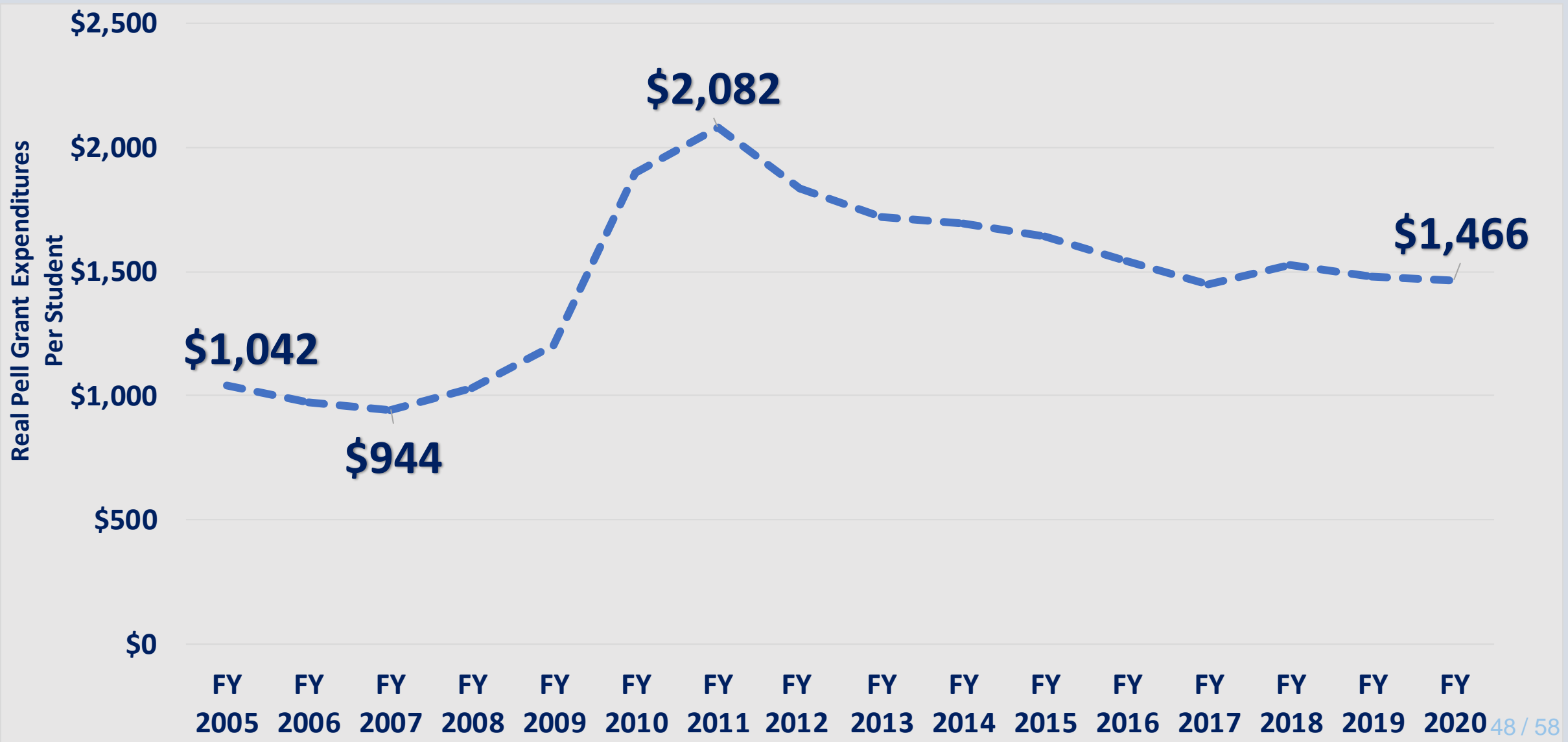




**Students and Families Have Been Put in a Bind**  
**Costs have been growing but need-based financial aid**  
**has been declining.**

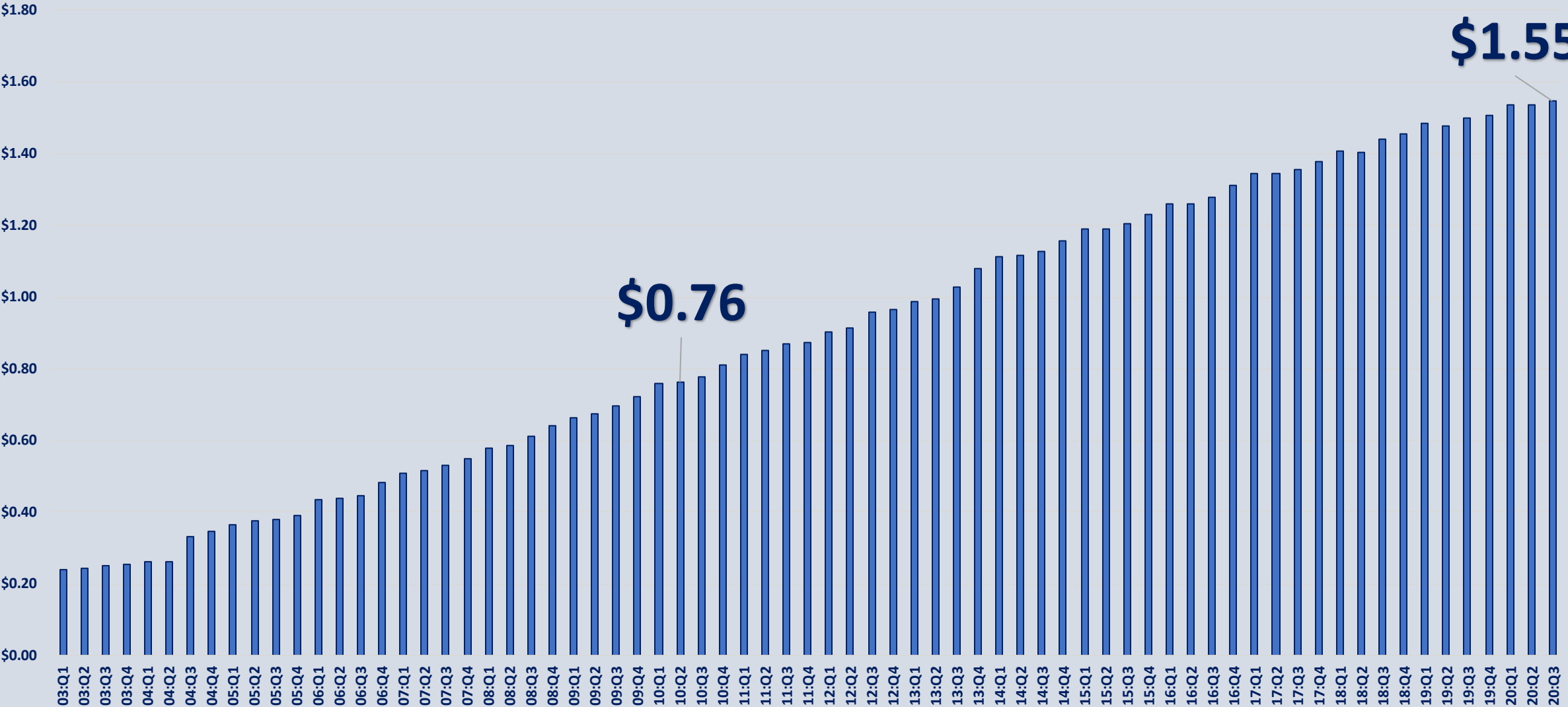


# The Inflation-Adjusted Average Value of a Pell Grant Has Declined



# Total Federal Government Student Debt

(trillions of dollars)



# **Student Loan Debt Makes a Difference**

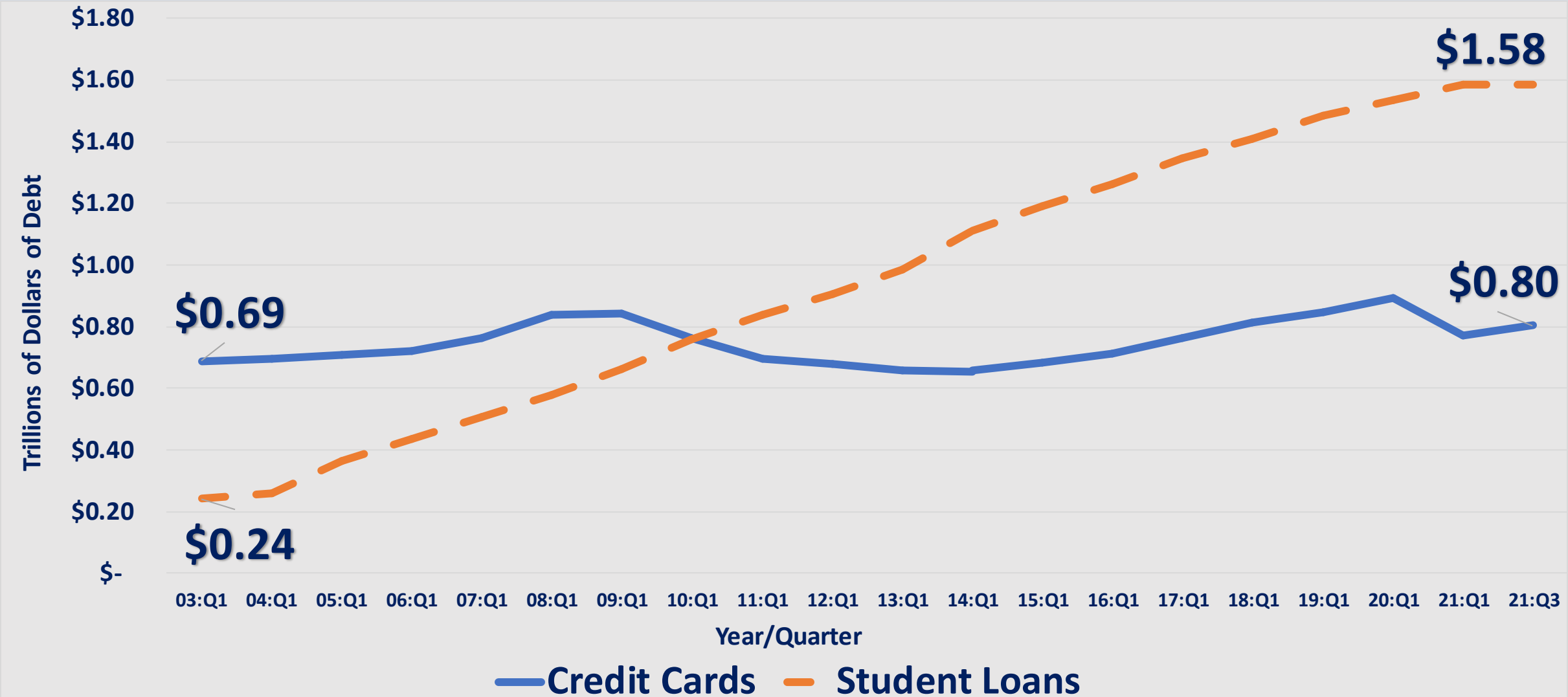
**Average Student Loan Debt Per Borrower: \$37,172**

**Total Federal Student Loan Debt in the U.S.: \$1.59 Trillion**

**Total Student Debt in the U.S.: \$1.73 trillion**

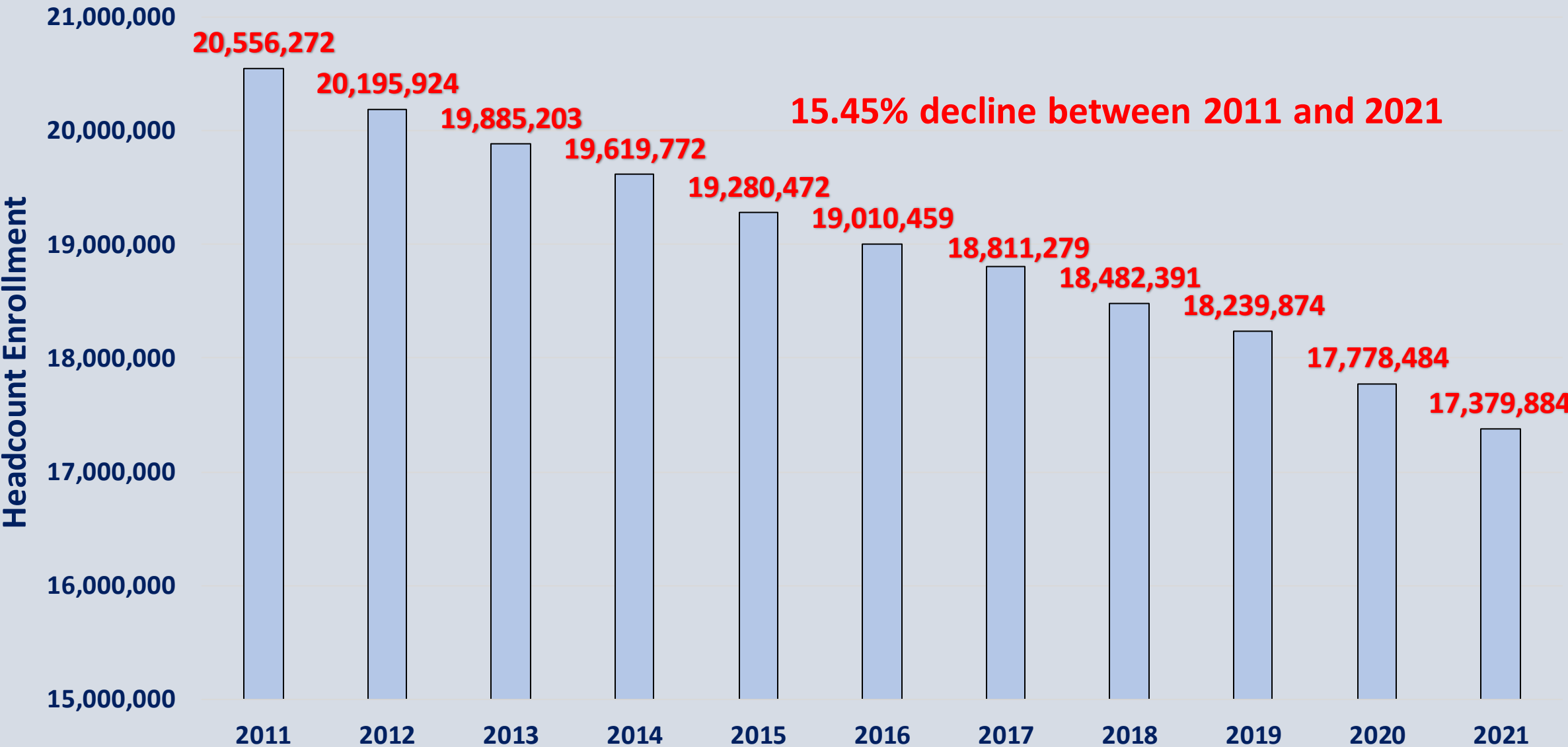
- **Less likely to buy a home (New York Fed, 2013)**
- **Less likely to start a new business (Philadelphia Fed, 2015)**
- **More likely to live with their parents (Fed's Board of Governors, 2015)**
  - **Less likely to save for their retirements (Brookings, 2014)**
- **More likely to have negative household wealth (Armantier, 2016)**

# Growth of Student Debt Versus Credit Card Debt: United States, 2003-2021 (trillions of \$)





# Declining Total Headcount Enrollment in U.S. Higher Education, 2011-2021



Source: National Student Clearinghouse

**Perhaps *U.S. News and World Report's* rankings,  
which reward campuses that spend more,  
are leading us down the wrong path.**

- Higher education gradually has become an agent that reinforces economic differences rather than diminishing them.
- The “*ladder of success*” is missing a few rungs.
- We should recognize this and take steps to restore what always has been an important function of American higher education --- to provide citizens with the opportunity to improve themselves and to serve society.
- If we choose not to do so, then we may risk disruption and upheaval.

- If you would like to receive economic updates from the Dragas Center for Economic Analysis and Policy and to have immediate access to our reports, please send us an email: [dragascenter@odu.edu](mailto:dragascenter@odu.edu)
- You may also **text CEAPODU to 66866** to join our email list.
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