9-2004

The State of the Region: Hampton Roads 2004

James V. Koch
Old Dominion University, jkoch@odu.edu

Shweta Agarwal
Old Dominion University

Vinod Agarwal
Old Dominion University, VAGARWAL@ODU.EDU

Monisha Basnet
Old Dominion University

Joshua Behr
Old Dominion University, jbehr@odu.edu

See next page for additional authors

Authors
James V. Koch, Shweta Agarwal, Vinod Agarwal, Monisha Basnet, Joshua Behr, John R. Broderick, Ben Card, Michael Clemons, Chris Colburn, Vicky Curtis, Steve Daniel, Jeffrey Harlow, Susan Hughes, Enrique Inclan, Kristine Karlsen, Jayme Lackore, Sharon Lomax, Janet Molinaro, Kenneth Plum, Lee Teply, Shara Weber, and Gilbert Yochum

THE STATE OF THE REGION

HAMPTON ROADS 2004

REGIONAL STUDIES INSTITUTE • OLD DOMINION UNIVERSITY

September 2004

Dear Reader:

This is Old Dominion University's fifth 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, Dr. Roseann Runte.

Our State of the Region reports have the modest goal of stimulating thought and discussions that ultimately will make Hampton Roads an even better place to live. We are proud of our region's many successes, but realize it would be possible to improve our performance. Yet, 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 2004 report is divided into six parts:

- **The Regional Economy Continues to Excel**: In 2004, the Hampton Roads economy will grow about 4.7 percent, the highest rate since 1987. Almost three-quarters of this growth is due to increased expenditures within the region by the Department of Defense. This illustrates the relative importance of defense expenditures in our regional economy.

- **How Do We Compare? Hampton Roads Versus Other Regions**: Per capita income in Hampton Roads has been rising and, after we factor in the cost of living, now is about 6 percent above the national average. This is a startling reversal from the late 1990s when the region was well below the national average. Housing prices here continue to be lower than the national average, as is our overall cost of living. Our air is cleaner than the national average and we rate high in terms of cultural amenities, but founder with regard to several measures of educational attainment.

- **What Do We Believe? How Hampton Roads Residents View Their World**: We report the results of a stratified, random poll of 1,189 Hampton Roads residents. They believe that traffic congestion and crime are the most important problems facing the region. For the first time, we develop a Quality of Life Index for Hampton Roads and its individual cities and counties. Not surprisingly, we're not all equally satisfied, and several interesting differences between cities are apparent.

- **The Virginia Symphony Orchestra: The Valiant Struggles of a Cultural Jewel**: The Virginia Symphony Orchestra (VSO) ranks well when compared to orchestras in regions of similar size and wealth, and in maestro JoAnn Falletta boasts a distinguished musical director. However, the symphony has accumulated a debt of approximately $2 million. Determined fund raising may reduce this debt, but the VSO's ultimate challenge is to attract a larger and more diverse clientele. If it does not, it could join a half dozen other regional orchestras throughout the country that recently have been forced to contract significantly or even declare bankruptcy.

- **Electricity Deregulation: What Impact Will It Have on Hampton Roads?**: The Virginia General Assembly has voted to deregulate electricity in Virginia, but has delayed critical parts of this process until 2010 at the earliest. Recently, the General Assembly seems to have lost some of its stomach for deregulation. Nationally, deregulation usually is associated with lower electricity prices; however, there are notable exceptions. Virginia's electricity prices currently are not high by national standards.

- **The Role and Influence of African American Legislators in Hampton Roads**: African Americans comprise more than three of every 10 residents of Hampton Roads. Only recently, however, has this population translated into a large number of elected representatives in the Virginia General Assembly. This year, there are eight elected African American legislators in Richmond who claim Hampton Roads as their home. We explore their power and influence, noting that many do not yet possess the seniority to wield extensive influence. All eight legislators are Democrats and serve in a statehouse dominated by Republicans.

Old Dominion University, via the president's office, and the College of Business and Public Administration, via the dean's office, continue to be generous supporters of the State of the Region report. The report would not appear each year, however, without the vital backing of private donors, whose names appear below. These individuals believe in Hampton Roads and in the power of rational discussion to improve our circumstances. They deserve kudos for their generosity and foresight.

This report would not have been possible without the generous financial support of the following individuals and organizations:

The Aimee and Frank Batten Jr. Foundation
Frank Batten Sr.
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The following individuals were instrumental in the research, writing, editing, design and dissemination of the report:

Shweta Agarwal
Vinod Agarwal
Monisha Basnet
Joshua Behr
John R. Broderick
Ben Card
Michael Clemons
Chris Colburn
Vicky Curtis
Steve Daniel
Jeffrey Harlow
Susan Hughes
Enrique Inclan
Kristine Karlsen
Jayme Lackore
Sharon Lomax
Janet Molinaro
Kenneth Plum
Lee Teply
Shara Weber
Gilbert Yochum

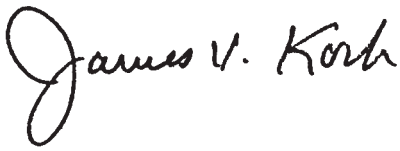
Very special recognition must be given to Vinod Agarwal and Gilbert Yochum of the Old Dominion University Economic Forecasting Project (which Professor Yochum directs). Their timely contributions each year make the report a valuable resource that always features penetrating analyses of the region's economy. They are hard-working, perceptive colleagues whose significant contributions to this report should not go unnoticed.

Special thanks also are due Professor Joshua Behr, who conceived the notion of a Quality of Life Index for Hampton Roads and arranged for a public opinion poll of the region's citizens to generate such a measure. His energy and commitment have been outstanding.

Our hope is that the report will stimulate you to think further about Hampton Roads and that it will generate discussion about our region's future. Do not hesitate to contact me at jkoch@odu.edu should you have comments or questions.

Note that each of the four previous State of the Region reports (2000 through 2003) may be found on the Internet at www.odu.edu/forecasting.

Sincerely,



James V. Koch

Board of Visitors Professor of Economics
and President Emeritus
Old Dominion University

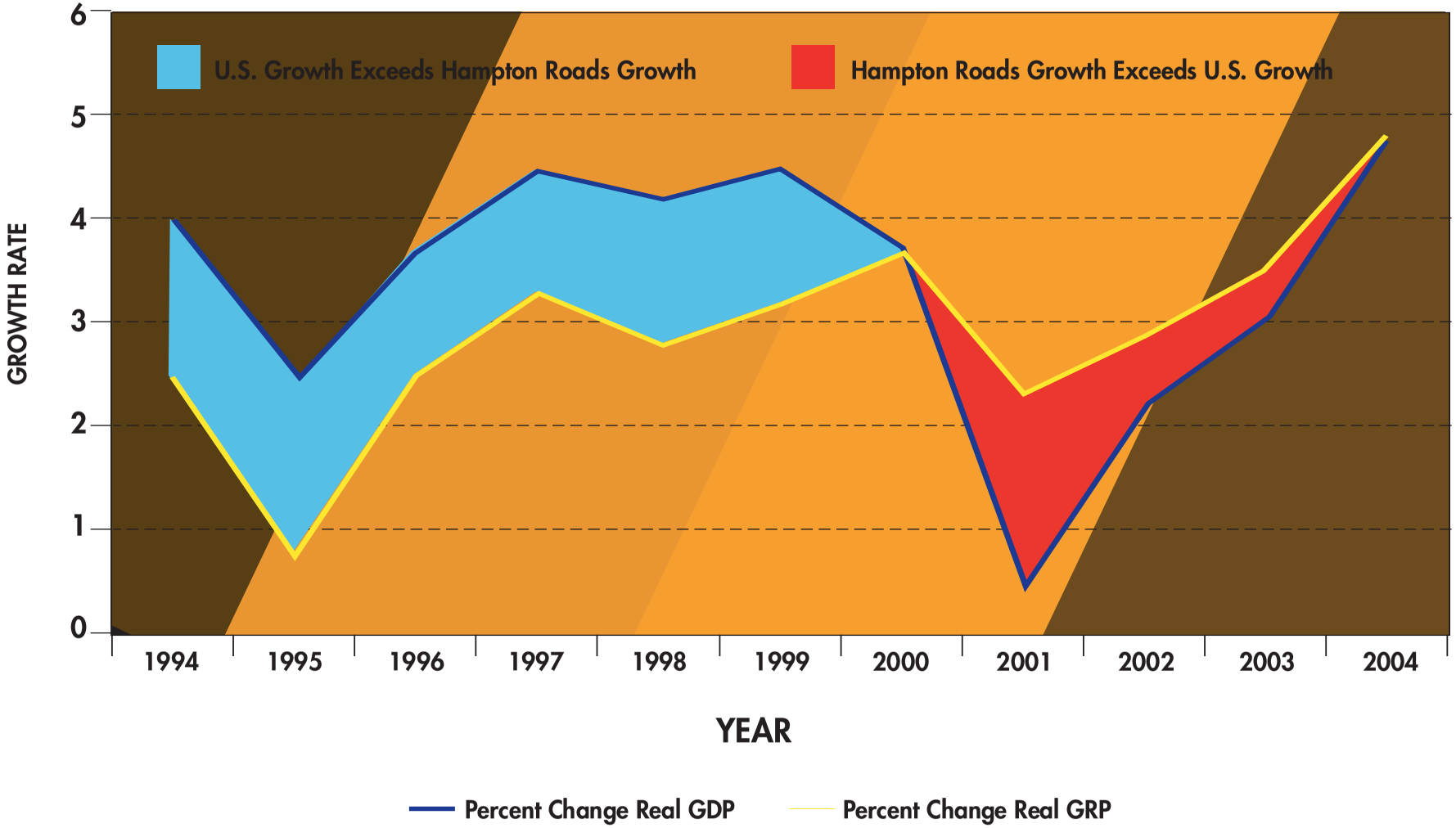
THE STATE OF

REGIONAL ECONOMY

The Regional Economy Continues To Excel

While 2004 may not qualify as "the best of all years" in the history of Hampton Roads, it has been a superb year for the regional economy and we appear to be on track for our fastest growth since 1987. Barring unforeseen disasters, the region's GRP (Gross Regional Product) will increase 4.7 percent in 2004. This will add an exclamation point to five consecutive years when our region's economy has grown more rapidly than the U.S. economy.

GRAPH 1
RATE OF GROWTH OF GDP AND GRP



Sources: U.S. Department of Commerce and the Old Dominion University Economic Forecasting Project

Graph 1 depicts the rate of gross product growth in the United States and Hampton Roads as well as the difference between them over the past 10 years. As extensively documented in past State of the Region reports, available online at www.odu.edu/forecasting, our mediocre growth performance during much of the 1990s was largely the product of the post-Cold War reduction in national defense expenditures. Hence, it is not surprising that the major factor responsible for reversing this laggard economic growth has been the pattern and size of recent defense spending within the region.

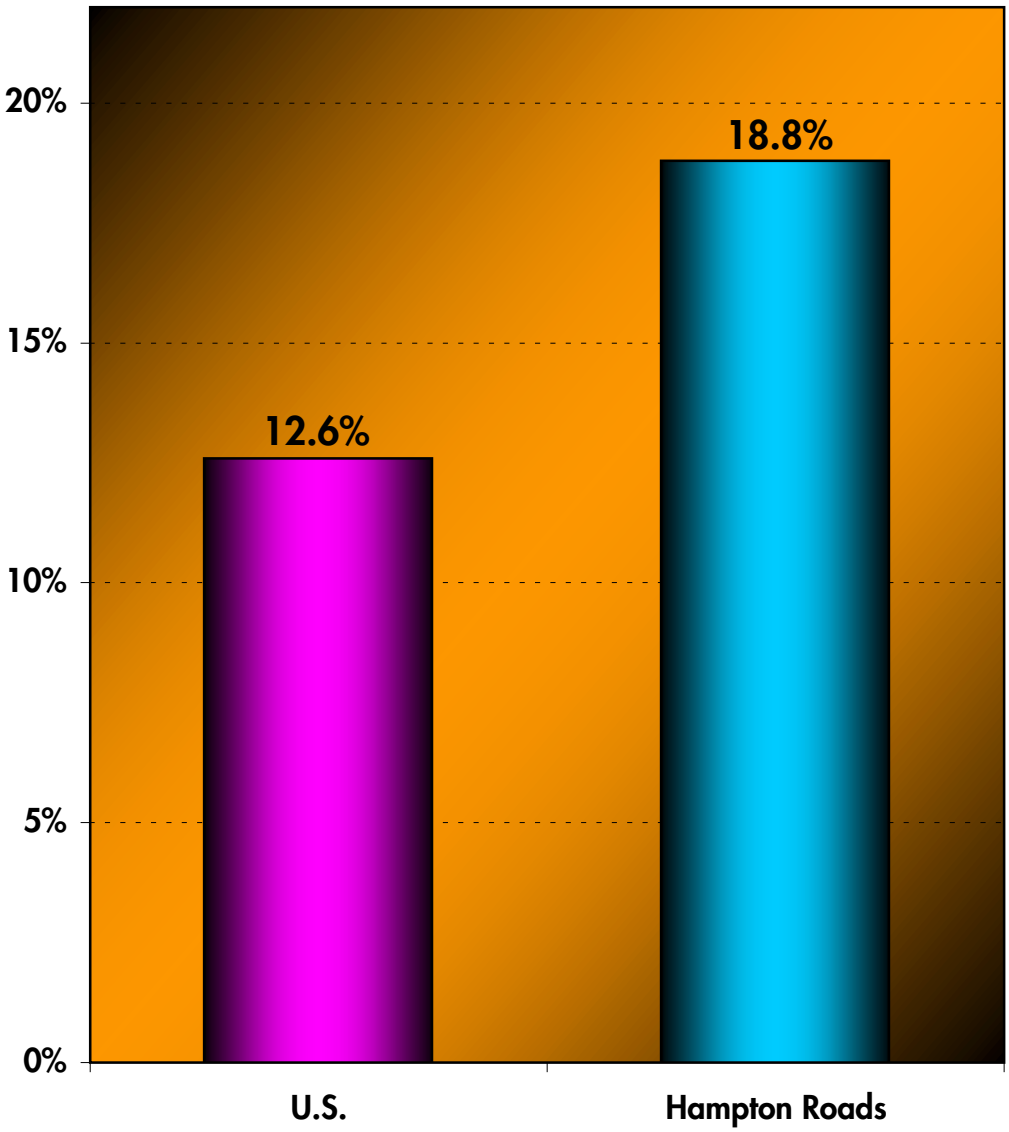
Since 2000, the region's economic growth consistently has exceeded that of the nation, though the gap between the two has been narrowing, and probably will disappear in 2004. The relatively strong growth of our region has left in its wake a series of structural changes that we will examine in this report, for example, in the occupations our workers fill. We will examine this and other changes in succeeding sections.

The Benefits Of Economic Growth To Hampton Roads

The gold standard for measuring the benefits of economic growth is per capita personal income and employment. As illustrated in Graph 2, between 2000 and 2004, per capita income in Hampton Roads has increased 6.2 percent above the national average.

Further, after adjusting for cost-of-living differences, in 2004, Hampton Roads' standard of living rose to its highest level relative to the rest of the nation since the publication of regional income statistics began in 1969. **In 2000, the buying power of our regional per capita income was about 1 percent below the national average. Now, we are about 6 percent above the national average. Graph 3 illustrates this excellent performance, which has a very pragmatic and important meaning: the typical citizen of Hampton Roads has the ability to purchase approximately 6 percent more goods and services (computers, food, movie tickets, electricity, books, etc.) than the typical individual nationally. This is a development the region should trumpet.**

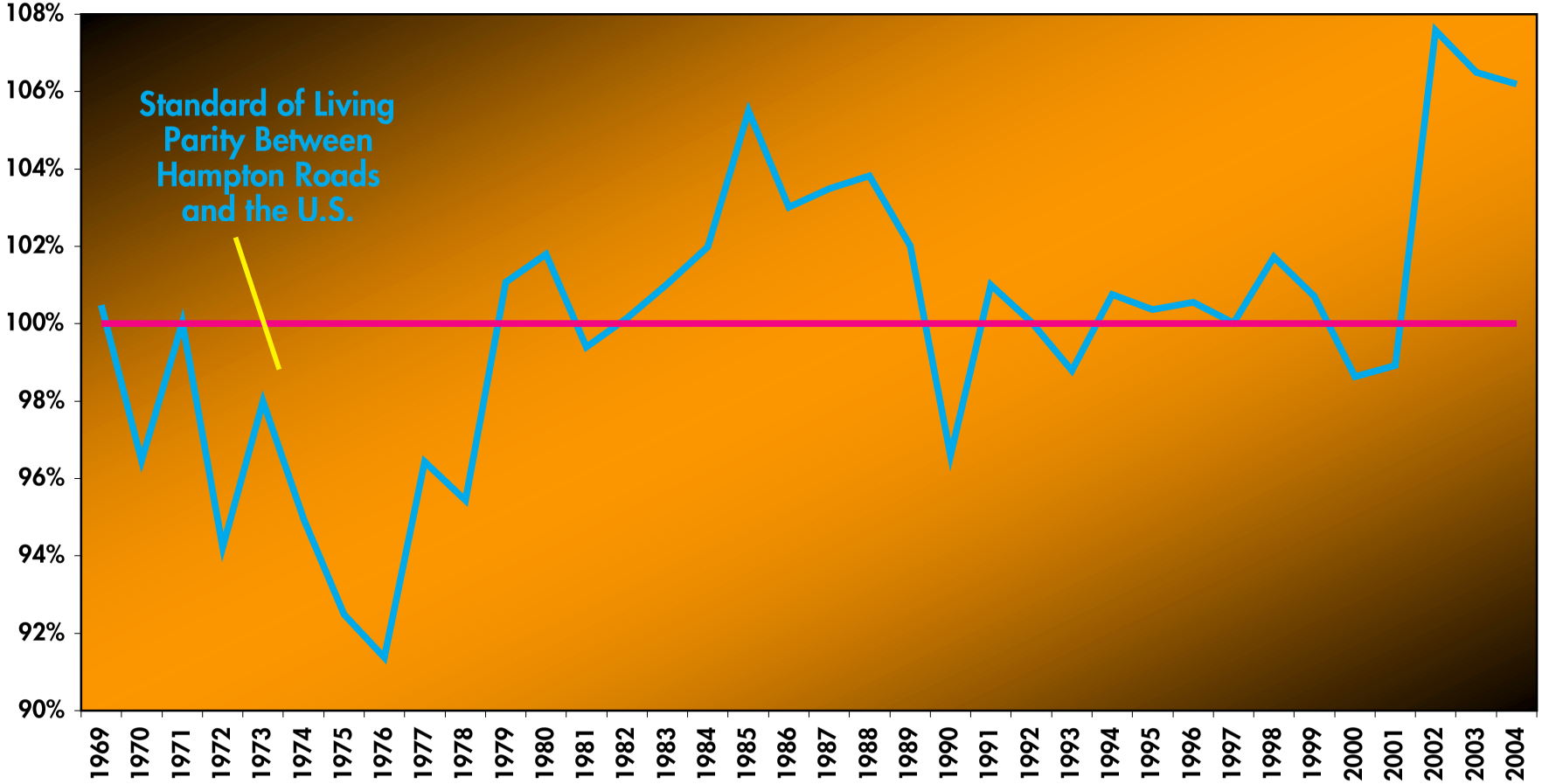
GRAPH 2
CUMULATIVE PER CAPITA INCOME GROWTH
2000-2004*



*Forecasted

Sources: U.S. Department of Commerce and the Old Dominion University Economic Forecasting Project

GRAPH 3
HAMPTON ROADS PRICE-ADJUSTED PER CAPITA INCOME
AS A PERCENT OF U.S. PRICE-ADJUSTED PER CAPITA INCOME
1969-2004



Source: The Old Dominion University Economic Forecasting Project

Employment growth contributed substantially to the region's income. Table 1 shows that Hampton Roads experienced comparatively strong employment growth from 2000 to 2003. Even though the number of jobs in Virginia and the nation decreased, employment in Hampton Roads increased by roughly 28,000 jobs.

TABLE 1

HAMPTON ROADS, VIRGINIA AND U.S. CIVILIAN EMPLOYMENT
(2000-2003, Thousands of Jobs)

	2000	2003	Percent Change 2000 to 2003
Hampton Roads	702.4	730.8	4.0%
Virginia	3,516.5	3,500.3	-0.5%
United States	131,785.0	129,931.0	-1.4%

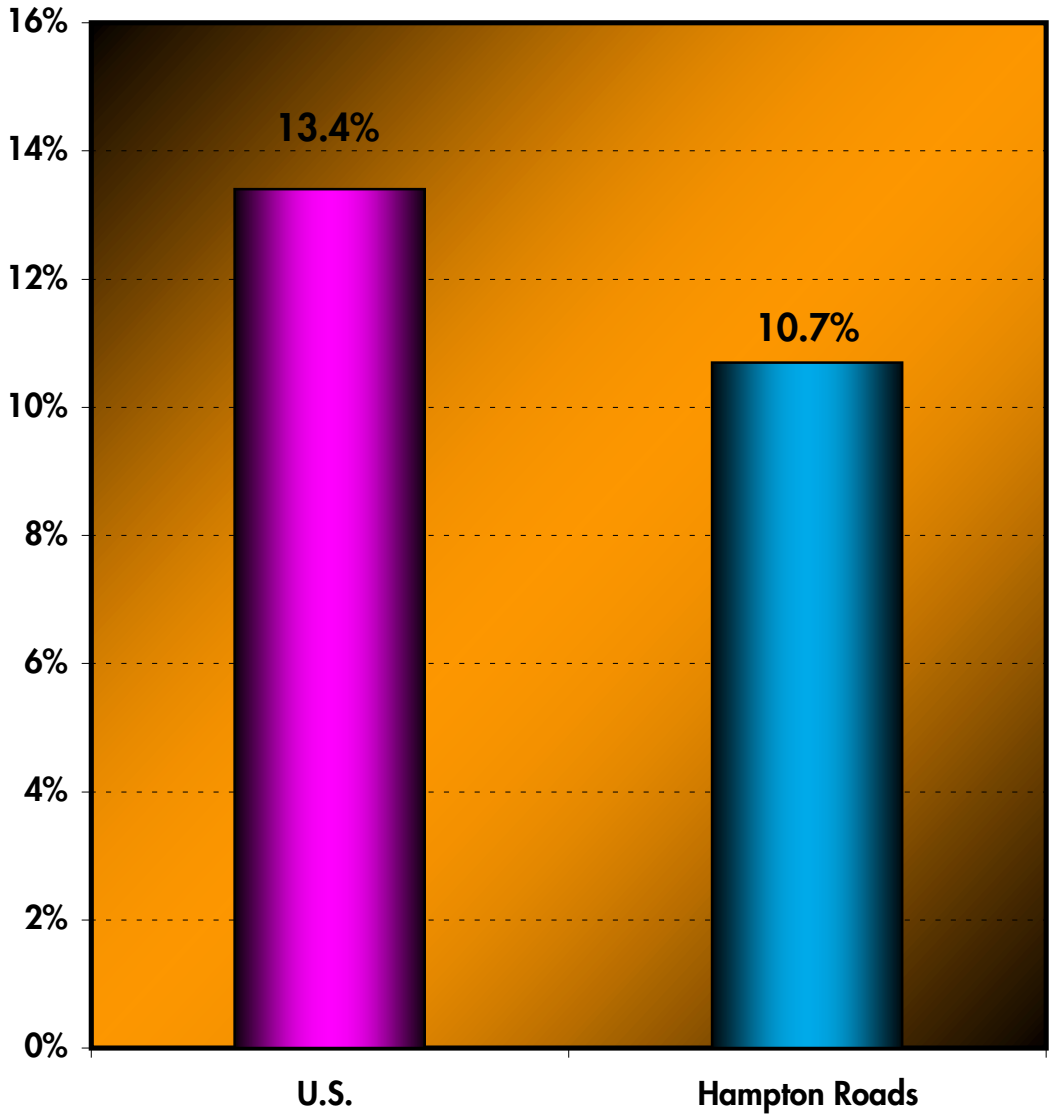
Sources: U.S. Bureau of Labor Statistics and the Old Dominion University Economic Forecasting Project

A frequent explanation for the absolute decline in employment that occurred nationally from 2000 to 2003 is rapidly rising labor productivity. The reasoning is that the adoption of more efficient machines and production methods has enabled employers to employ fewer workers to produce the same amount of output. If this hypothesis applies to Hampton Roads, then it suggests that productivity growth in our region may have been slower over the past few years than for the nation as whole. That's why, according to this view of the world, we didn't lose as many jobs. Let's investigate this possibility further.

Indeed, one can see in Graph 4 that worker productivity growth in Hampton Roads did lag behind that of the United States from 2000 to 2003. Why? It is more likely due to the relative mix of products we turn out than the region's employers being slow in adopting new technology. This is a complex argument, but one worth exploring. Traditionally, the largest gains in labor productivity in the United States have been concentrated in the manufacturing sector. Graph 5 reveals that Hampton Roads is relatively less involved with manufacturing than the rest of the country. For example, ours is not a region rich in steel plants and automobile manufacturers. As a consequence, when manufacturing productivity spurted in the last few years, Hampton Roads was not affected as much because we simply haven't been as involved with manufacturing.

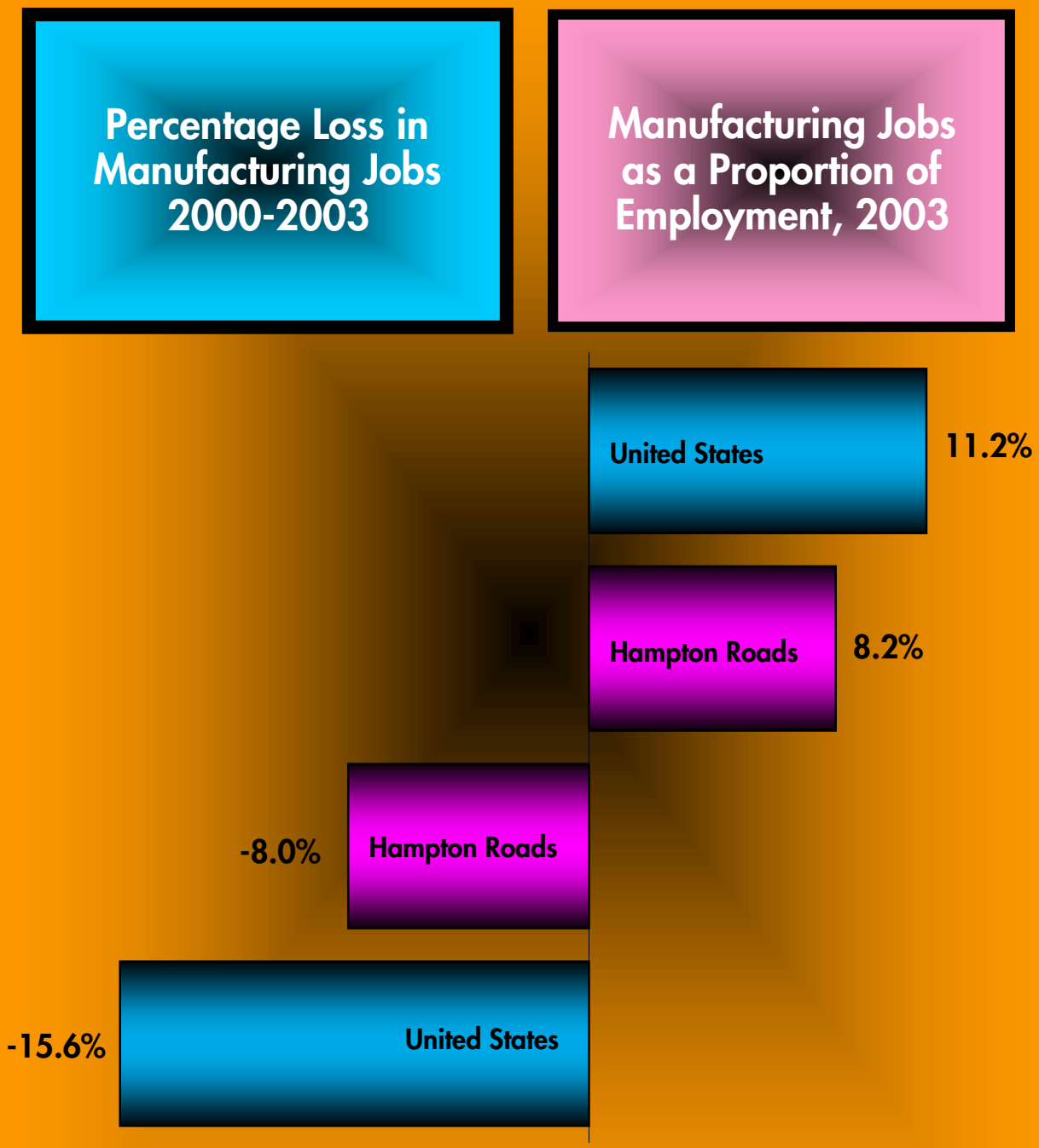
Parenthetically, however, the manufacturing firms we do have tend to be reasonably productive and competitive. Graph 5 shows that the job decline in manufacturing within Hampton Roads has been proportionally much smaller than the decline in manufacturing jobs in the United States.

GRAPH 4
LABOR FORCE PRODUCTIVITY GROWTH
2000 - 2003



Sources: U.S. Department of Labor and the Old Dominion University Economic Forecasting Project

GRAPH 5



Sources: U.S. Department of Labor and the Old Dominion University Economic Forecasting Project

Nonetheless, even if our worker productivity had expanded at the same rate as that of the country in recent years, we would have lost more jobs, at least in the short-run. However, even if we lost jobs at the same rate as happened nationally, our regional employment would have expanded by roughly 14,000 jobs in 2000-03. This still would have been significantly larger than that experienced in either Virginia or the country as a whole. Thus, in the final analysis, the robust expansion of the regional economy over the past few years, and our fine performance in generating jobs, is not primarily due to an absence of manufacturing, but rather to other factors such as the growth in defense spending within the region.

Note that in the long-run (which we will define as several years or more), increasing labor productivity is a good thing for workers and for employment. It's true that in the short-run, increases in labor productivity may induce employers to hire fewer workers because each worker now is more productive and so not as many workers are needed. Nevertheless, there are two reasons why increasing productivity is a good thing for workers in the long-run. First, the higher the productivity of workers, the more they are paid. The most productive workers in society generally are the best-paid, whether they are attorneys, farmers, professional football players or airplane mechanics. Second, increased labor productivity releases workers to perform other tasks. As an illustration, consider that in 1800, approximately 80 percent of all Americans were engaged in agriculture. Today, only 2 percent are. The other 78 percent are producing other goods and services that have increased our standard of living dramatically over the past two centuries. As the years pass, increased labor productivity is the hallmark of vigorous, growing economies. Only in the short-run does the tradeoff between labor productivity and jobs rear its head.

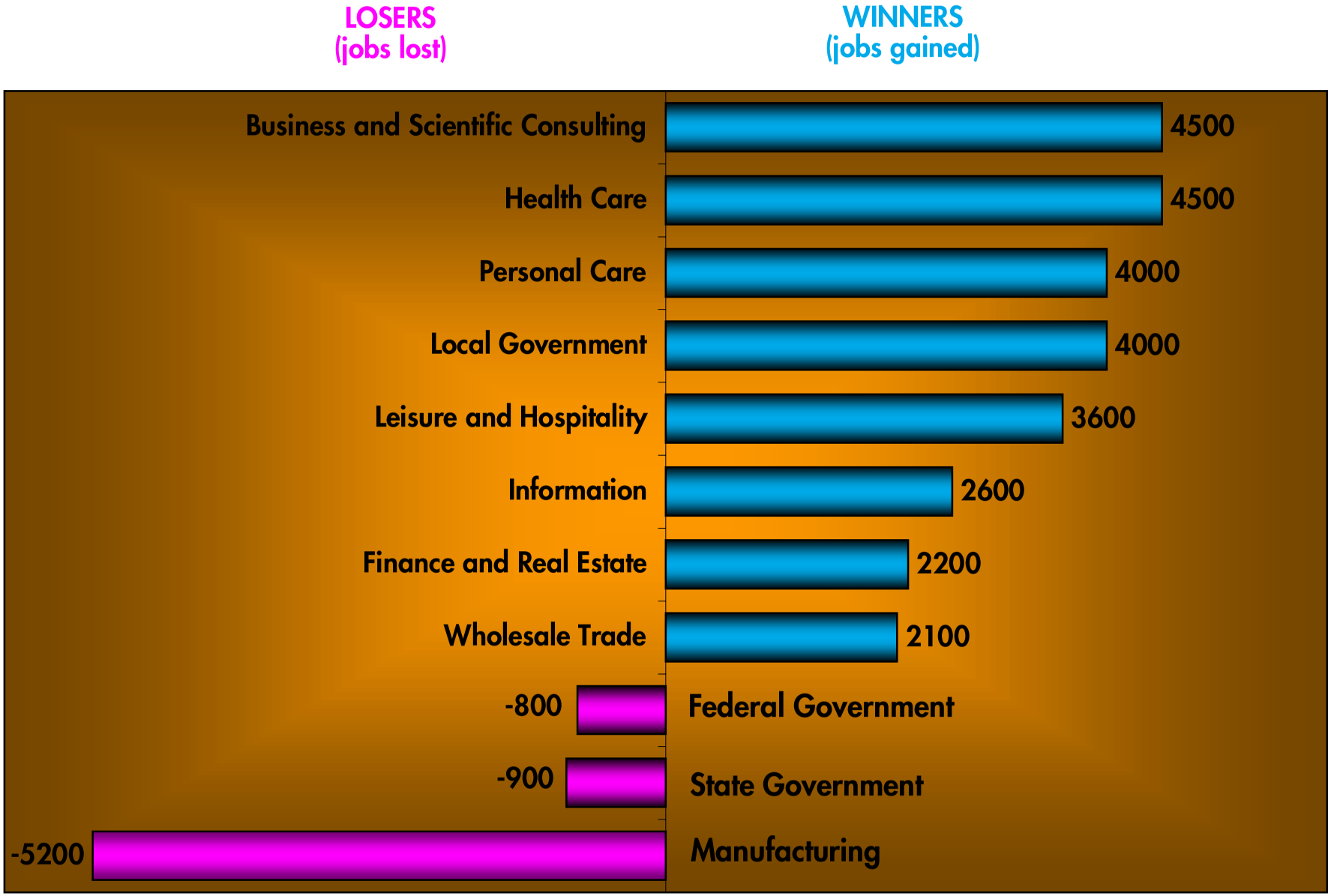
The moral to this story is that while lagging labor productivity may have saved some jobs in Hampton Roads between 2000 and 2003, in the long term this is not good news for the region and its workers. It will eventually translate to lower incomes and a lower standard of living.

Die By The Sword, Live By The Sword

What are the sources of the region's splendid recent economic growth? One way to assess this is to examine the mixture of jobs that exist within Hampton Roads.

Some jobs cause companies, governments or individuals from outside the region to spend their money in Hampton Roads. These jobs act as magnets. Economists often say such jobs have "primary economic impact" because they add new economic thrust to the region. On the other hand, some jobs come about primarily because we have reallocated expenditures. Suppose residents choose to spend more money at Harbor Park and less at the region's malls. The result will be more jobs at Harbor Park and fewer jobs at the malls. That's why these jobs have only "secondary economic impact." They tend only to recycle income that is already here.

GRAPH 6
HAMPTON ROADS EMPLOYMENT CHANGE BY OUTPUT CATEGORY BETWEEN 2000 AND 2003



Sources: U.S. Department of Labor, Virginia Employment Commission and the Old Dominion University Economic Forecasting Project

Let's use Graph 6 to help identify employment changes by their primary or secondary impact. The job categories represented in this graph are responsible for more than 95 percent of the job gains and losses within Hampton Roads between 2000 and 2003. Other output and employment components of the region's economy not shown include retail trade, which remained surprisingly stable over the period.

Several of the job categories shown in Graph 6 relate to jobs that are likely to create primary economic impact. Companies that hire employees who work in business and scientific consulting, or who support the leisure and hospitality industry, or who engage in wholesale trade, or in information and manufacturing, are likely to create primary economic impact within the region. Consider Boeing's new Hampton Roads office and the new operations of General Dynamics and Lockheed Martin. These enterprises represent "new money" for the region and contribute new jobs in the professional and scientific consulting category. It's also worth noting that they reflect new defense spending within Hampton Roads.

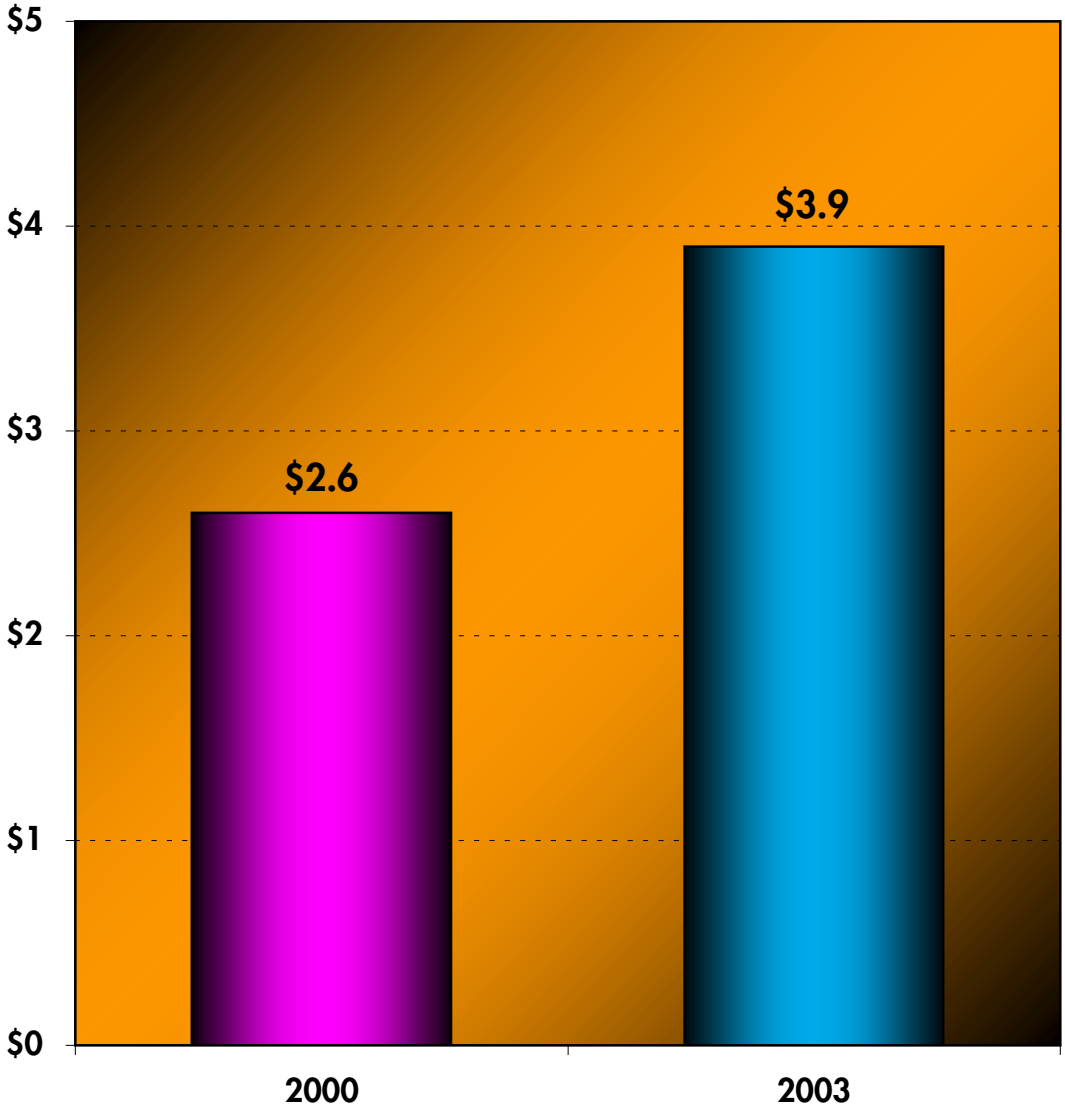
Jobs in the remaining sectors displayed in Graph 6 are more apt to result from recycled local spending, perhaps due to a shift in resident spending occasioned by changes in the product preferences of residents. For example, the new local government jobs referenced in the graph consist mainly of additional K-12 schoolteachers whose hiring is a response to demographic changes within the region. These jobs are important, but they contribute a secondary economic impact to Hampton Roads.

The truth is that most of the region's strong recent economic growth is the result of additional primary economic activity within the defense, tourism and port industries. In addition, in the past few years, we have experienced an upsurge in information-based employment. Let's examine each of these in turn.

DEFENSE SPENDING

Defense spending in Hampton Roads rose by an estimated $3.6 billion from 2000 to 2003. This represents an extremely valuable new contribution to our $60 billion annual regional domestic product. This spending increase can be divided into three categories: procurement, expanding the number of active-duty personnel, and paying them more.

GRAPH 7
ESTIMATED DEFENSE CONTRACT SPENDING
2000 AND 2003
(Billions of $)

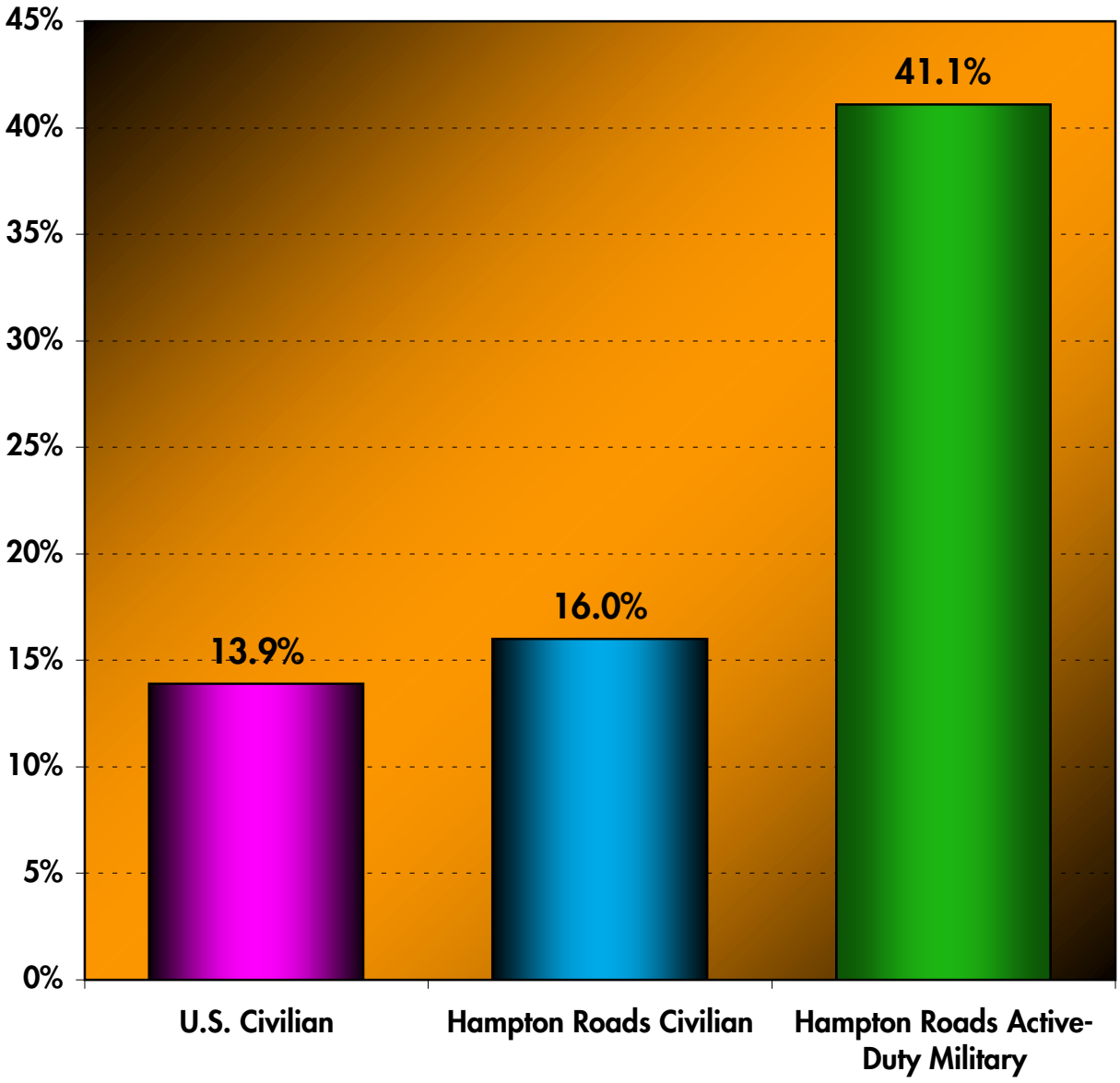


Sources: Department of Defense and the Old Dominion University Economic Forecasting Project

Graph 7 reveals that defense procurement spending increased by an estimated $1.3 billion from 2000 to 2003, a 50 percent increase over the period. Much of this increase reflected professional service contracts (including consulting), but ship repair and construction purchases also loomed important. The impact of this increased spending was sufficient to reverse the national trend toward fewer manufacturing employees, at least in the shipbuilding and repair industries in Hampton Roads, where employment actually increased by 600 jobs between 2000 and 2003.

During this period, 2,600 new active-duty military personnel were added to regional military rosters. Further, Hampton Roads' uniformed military personnel were the recipients of relatively large pay increases. As seen in Graph 8, over the period, military pay increases were 2 1/2 times larger than those in the civilian sector regionally and about three times larger than was true nationally. The total payroll for the region's military personnel, including both pay increases and new personnel, rose by an estimated $2.3 billion from 2000 to 2003. This increased compensation included bonuses and higher housing allowances for military personnel.

GRAPH 8
PERCENT CHANGE IN AVERAGE COMPENSATION PER PERSON
2000-2003



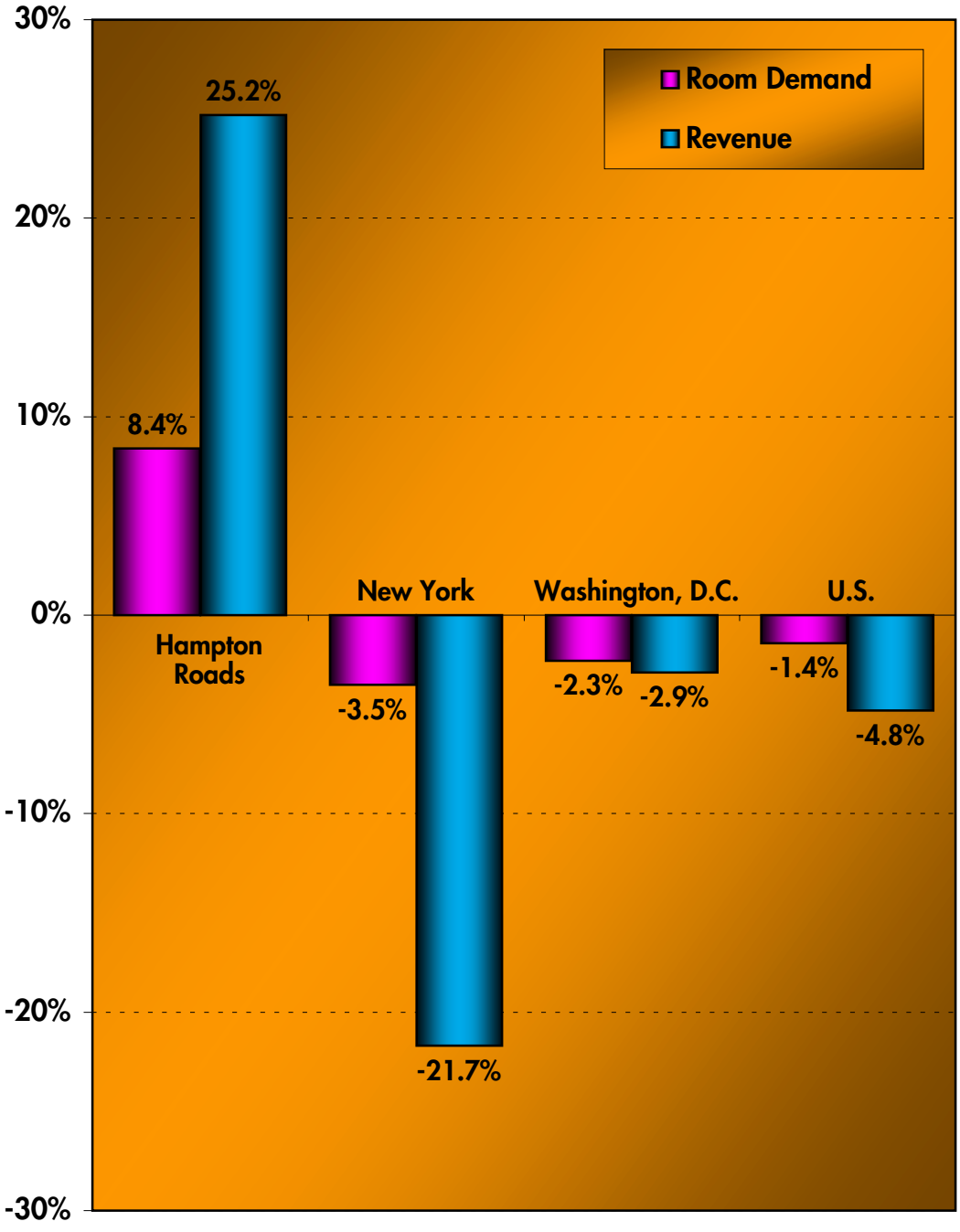
Sources: U.S. Department of Defense, U.S. Department of Labor and the Old Dominion University Economic Forecasting Project

Taken together, the increases in military procurement plus the expansion of forces and increased pay and benefits, by themselves accounted for about three-quarters of the expansion in Hampton Roads' gross regional product between 2000 and 2003. Department of Defense activity, then, was the primary economic engine of expansion within the region during this period.

TOURIST SPENDING

Over the past three years, the tourist industry in Hampton Roads has experienced significant growth relative to both the United States and specific major tourist destinations such as New York and Washington, D.C. Graph 9 demonstrates the region's considerable increase in hotel room demand, measured by either room nights or hotel revenue. Of course, typical tourists do much more than pay for their hotel rooms; they also patronize restaurants, spend money on leisure activities and spend surprisingly large sums of money on clothing, books, and conventional goods and services that they take home with them. The prosperity of the region's tourism industry is the most important reason why leisure and hospitality jobs increased significantly (review Graph 6).

GRAPH 9
HOTEL ROOM DEMAND AND REVENUE, 2000-2003
(Percent Change)

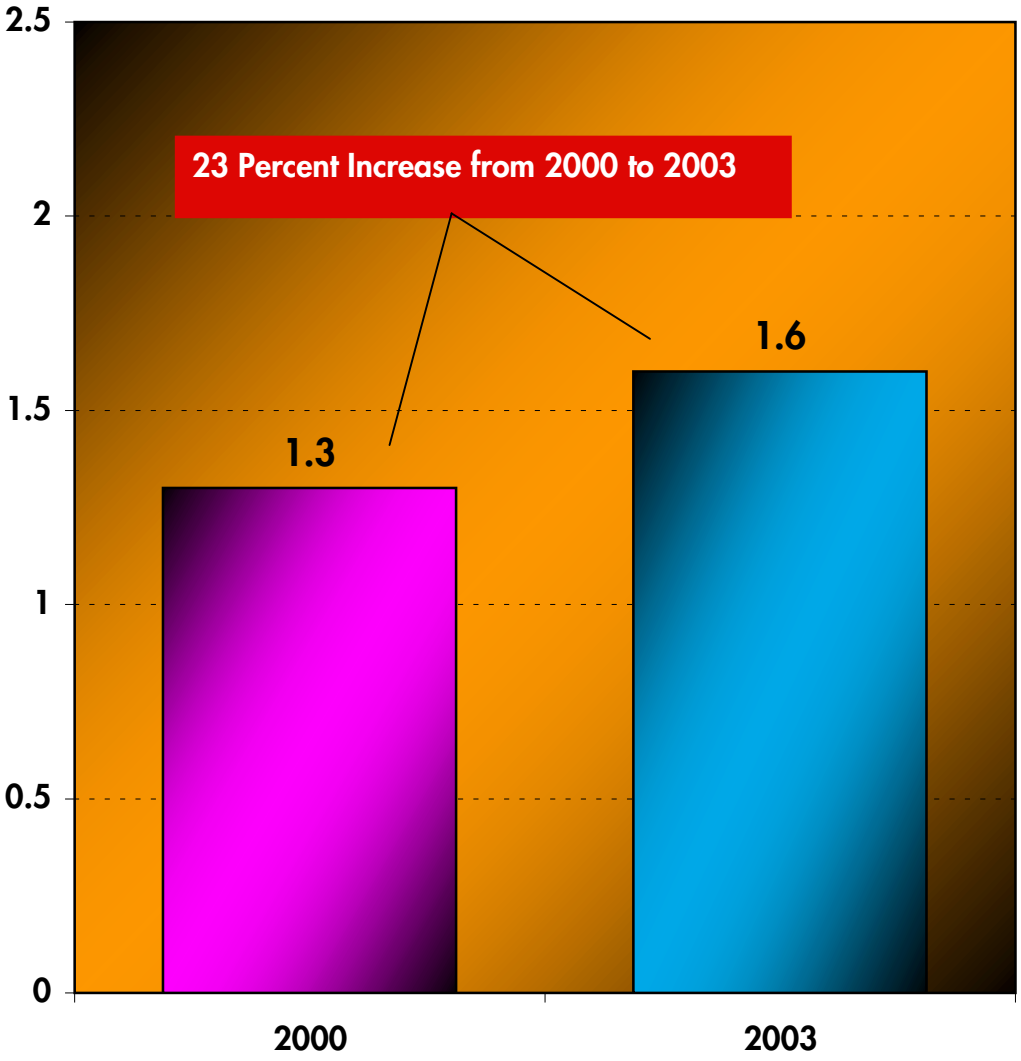


Sources: Smith Travel Research and the Old Dominion University Economic Forecasting Project

Between 2000 and 2003, the Port of Hampton Roads experienced very healthy increases in activity. Container movement accounts for more than 90 percent of general cargo transportation and, as Graph 10 indicates, this activity increased by 23 percent from 2000 to 2003. Significant increases in labor productivity within the port meant that only a few hundred jobs actually were added to move cargo in and out of the region. The introduction of new storage techniques and the installation of new equipment, such as cranes, obviated the need for proportional increases in workers. Likewise, the worldwide trend toward larger cargo vessels also exerted its influence here. A ship that is twice as large generally does not require twice as many employees to service it. Thus, the trend to bigger ships has dampened the demand for new employees.

Many of the employment and economic gains to the region from the port often do not come directly from the port itself. Instead, they emanate from firms attracted to Hampton Roads. These firms use the port as a resource and take advantage of its efficiencies. If the port is more efficient, then they are too, and this enables them to lower prices, increase profits and, over time, expand their employment. Firms such as Wal-Mart, Target, Dollar Tree and Lillian Vernon have constructed new or expanded distribution centers inside the region, and these efforts generated the increased wholesale trade employment related in Graph 6.

GRAPH 10
PORT OF HAMPTON ROADS CARGO MOVEMENT
2000-2003
(Millions of Containers*)



* 20-foot-equivalent units

Source: Virginia Port Authority

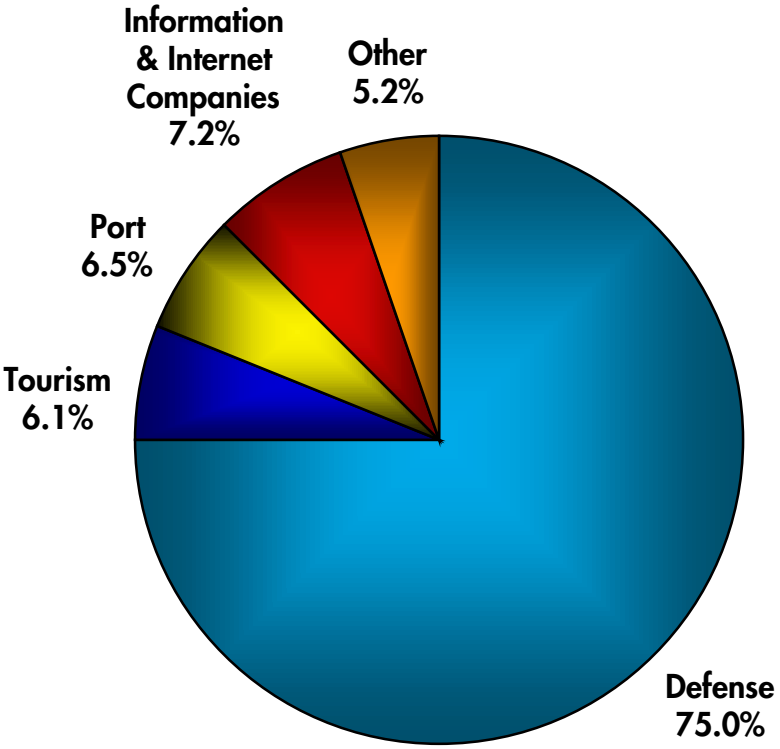
A NEW KID ON THE BLOCK? INFORMATION-BASED EMPLOYMENT IN HAMPTON ROADS

Another sector, not usually thought of as a growth engine in our regional economy, appears to have contributed meaningfully to our recent growth. Recall from Graph 6 that information-based employment within Hampton Roads rose by 2,600 jobs from 2000 to 2003. This net new employment growth is primarily concentrated in firms that sell their products nationally and therefore create a primary economic impact. For example, new or expanding Internet companies such as Trader Publishing have established a larger presence in Hampton Roads. **Though the information goods sector still is relatively small within the region and accounts for only slightly more than 2 percent of regional employment, the 19.3 percent increase in employment in this sector between 2000 and 2003 is impressive and bodes well for the future.**

PUTTING IT ALL TOGETHER: THE SOURCES OF OUR RECENT ECONOMIC GROWTH

What is the relative importance of the four sectors we just have analyzed? Graph 11 depicts the impact of each of these sectors on economic growth in Hampton Roads between 2000 and 2003. Defense spending continues to be the 500-pound gorilla, economically speaking. Three of every four dollars of new growth in the region resulted from increased defense spending. The port, tourism and information-based sectors also were significant, but paled beside the role of defense spending.

GRAPH 11
ESTIMATED SHARE OF RESPONSIBILITY FOR GRP GROWTH IN HAMPTON ROADS BY ECONOMIC SECTOR
2000-2003

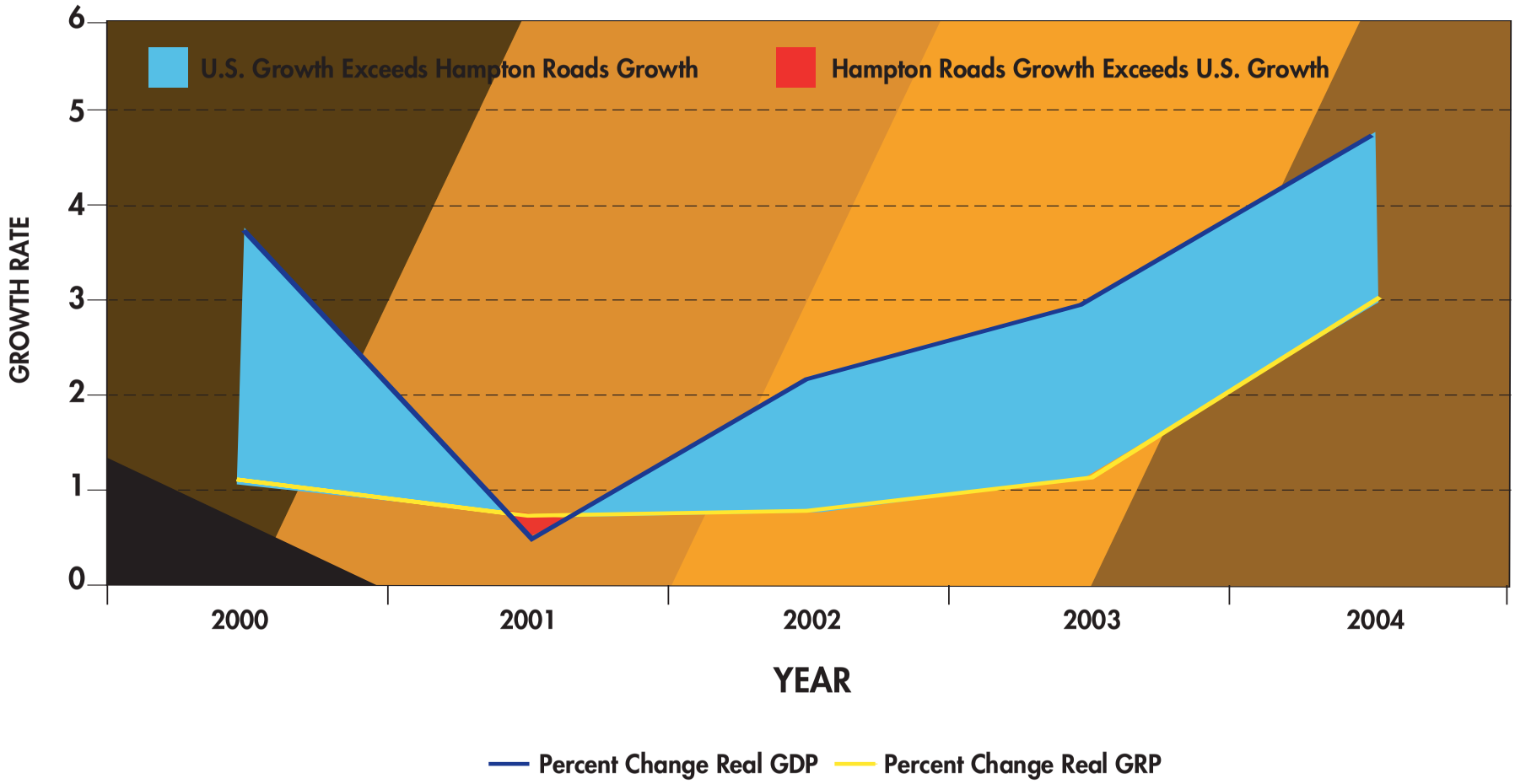


Source: The Old Dominion University Economic Forecasting Project

Let's perform an analytical experiment. Suppose there had been no increases in defense spending between 2000 and 2003. Graph 12 illustrates the annual rates of growth our region would have experienced in its gross regional product, compared to what they would have been, had there been no increase in defense spending. It's apparent that our regional growth rates would have been much lower except for increased defense spending. In just one year, the recession year of 2001, would the region's economic growth have been the same as that of the nation.

In 2004, our regional economy has grown at a rate of 4.7 percent. If defense spending had been capped at 2000 levels, this growth rate would have declined to only 3 percent, or 1.7 percent lower. The moral to this story is that the non-defense sectors of the Hampton Roads economy are growing more slowly than either the Virginia economy or the national economy. This should give us some pause. If it's true that "what goes around comes around," then our region could suffer in the future if defense expenditures expand less rapidly, or even decline. The recent prosperity of Hampton Roads has camouflaged the underlying weaknesses and vulnerabilities of our economic structure.

GRAPH 12
ESTIMATED GDP and GRP GROWTH RATES ASSUMING NO INCREASE IN DEFENSE SPENDING FROM 2000 to 2004



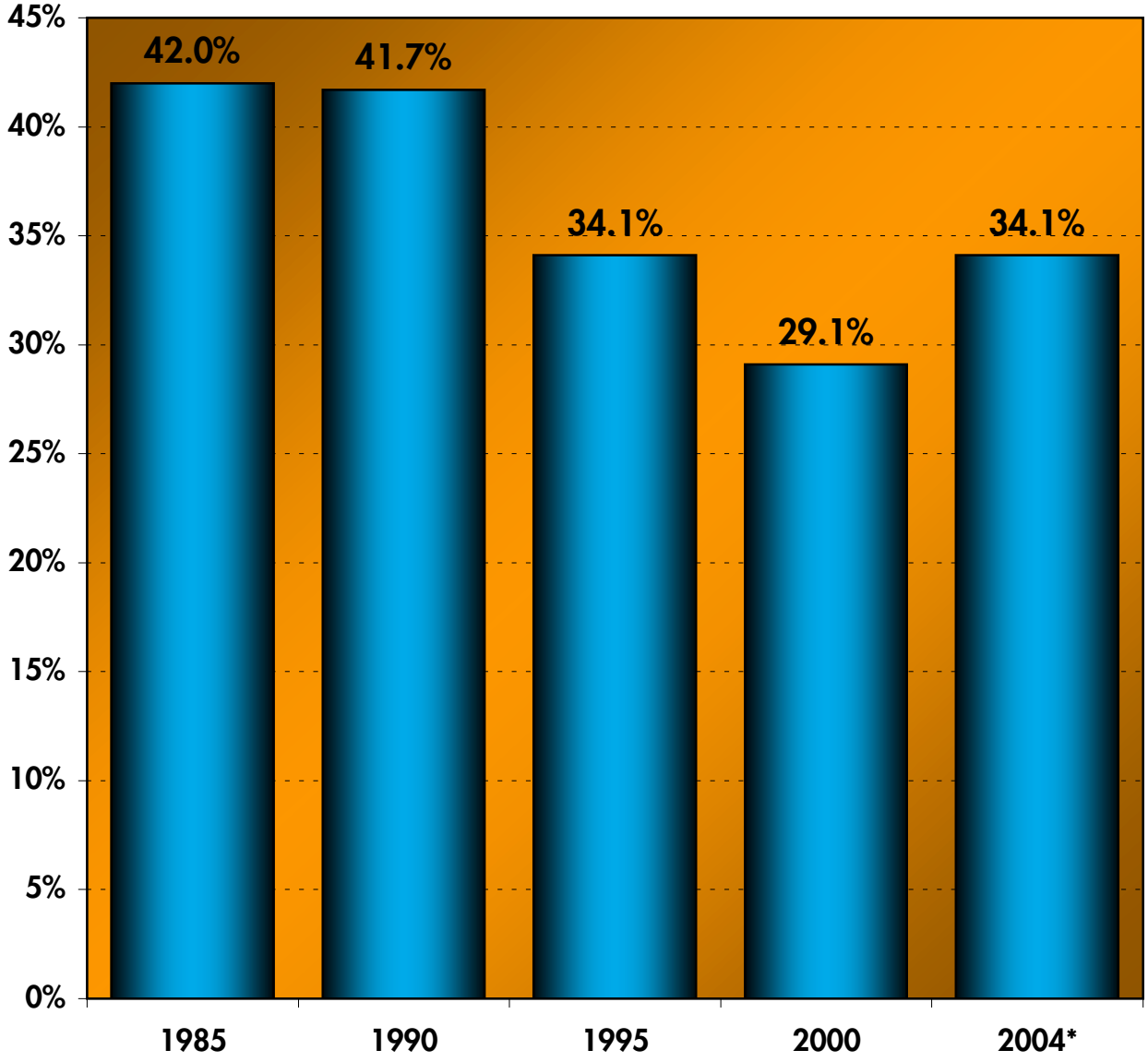
Source: The Old Dominion University Economic Forecasting Project

Live By The Sword, Die By The Sword

A professional consultant making a public presentation in Hampton Roads in the mid-1990s expressed the opinion that "defense spending is to Hampton Roads what oil is to Houston." This statement, referring to Houston's oil industry bust and resulting economic decline in the early 1980s, expressed the gloom many in the region associated with the then declining defense budget. Civic club speeches in the 1990s often focused on the need for the region to diversify its economy and develop non-defense industries. During the 1990-2000 period, this is what Hampton Roads did, though not with sufficient vigor to avoid rather sluggish economic growth. The role of national defense expenditures in the regional economy declined from a high of approximately 42 percent in 1985 to a low of about 28 percent in the late 1990s. It appeared that Hampton Roads might develop in such a way that would alter its reputation for being a military town heavily dependent on defense spending.

As it turned out, these discussions were premature. Since 2000, the region's economy has become substantially more dependent on defense spending. Graph 13 illustrates the relative importance of defense spending to the Hampton Roads economy since 1985. After a long decline caused by the post-Cold War real defense spending reductions, the impact of defense spending on the region's economy in 2004 will return to 1995 levels. This will represent a 5 percent increase since 2000 – a momentous change by national standards.

GRAPH 13
THE PROPORTION OF HAMPTON ROADS GROSS REGIONAL PRODUCT ATTRIBUTABLE TO DEPARTMENT OF DEFENSE SPENDING
(Percent)
1985-2004



* Estimated

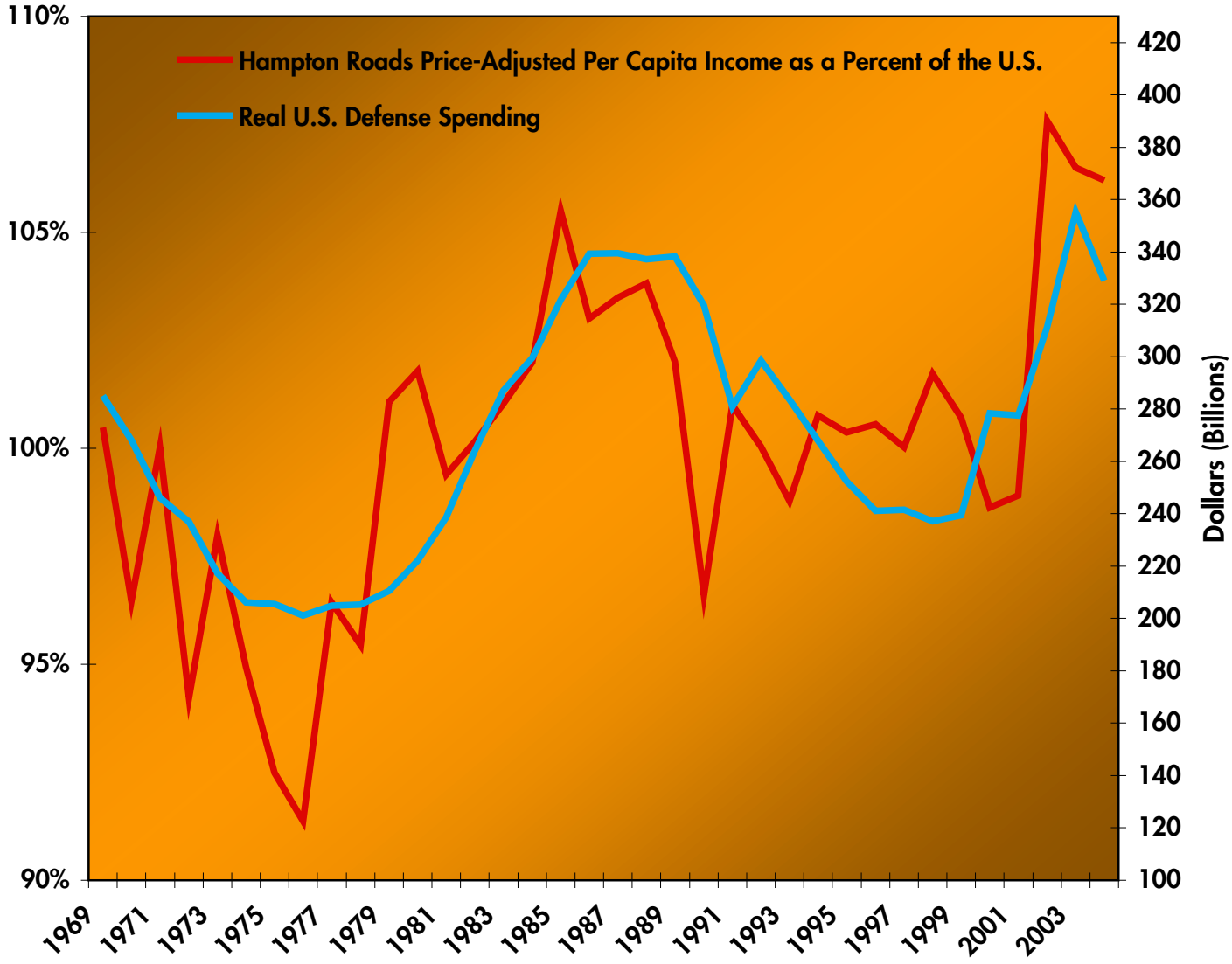
Sources: Department of Defense and the Old Dominion University Economic Forecasting Project

The expansion of national defense spending directly affects our regional economic welfare. Graph 14 plots the cyclical spending rhythms of "real" (adjusted for inflation) national defense budgets with "real" (adjusted for inflation) per capita incomes in the region relative to those of the entire country. Both time series move up and down, almost as if on a roller coaster. Of the two variables, however, it is real defense expenditures that have causal impact. When real defense expenditures move, real per capita income moves shortly thereafter. For example, note that between 1985 and 1990, real defense expenditures declined substantially. With a slight lag, the ratio of real per capita income in Hampton Roads to real per capita income nationally also declined, from about 4 percent above the average to about 2 percent below the average. Similarly, beginning in 1999, real defense expenditures began to increase rapidly and per capita income soon followed, rising from about 2 percent below the national average to about 4 percent above the average in 2003.

Taking into account price differences between metropolitan areas across the country, over the last 35 years, real per capita income in Hampton Roads has fluctuated between 91 percent and 108 percent of the national average. It is clear from Graph 14 that real defense expenditures are the motivating influence on those income changes. Thus, it remains the case that the region's economic welfare (and the standard of living of its residents) is tightly tied to the Department of Defense.

For the foreseeable future, this close connection should stand us in good stead. **Increased military expenditures, activities in areas such as Iraq and concern about terrorism together should maintain defense expenditures at high levels. Yet, just as Americans learned when the Cold War ended, nothing lasts forever. A settlement in Iraq that results in substantial troop withdrawals, plus accompanying political fallout, could put a dent in U.S. defense expenditures. Regardless of one's views on these matters, the reality is that such developments could result in diminished real per capita income within the region. The typical resident might not feel the effects of this in an obvious way, but retailers (for example, automobile dealers), restaurant and recreation businesses, and real estate companies likely would feel the impact.** And, over a period of time, less competition for workers likely would reduce wage increases throughout the region. Finally, governmental tax collections would lag and the fiscal stress of several cities in the region would be exacerbated.

GRAPH 14
HAMPTON ROADS PRICE-ADJUSTED PER CAPITA INCOME AS A PERCENT OF U.S. PRICE-ADJUSTED PER CAPITA INCOME AND U.S. REAL DEFENSE SPENDING
(1992 = 100)
1969 - 2004

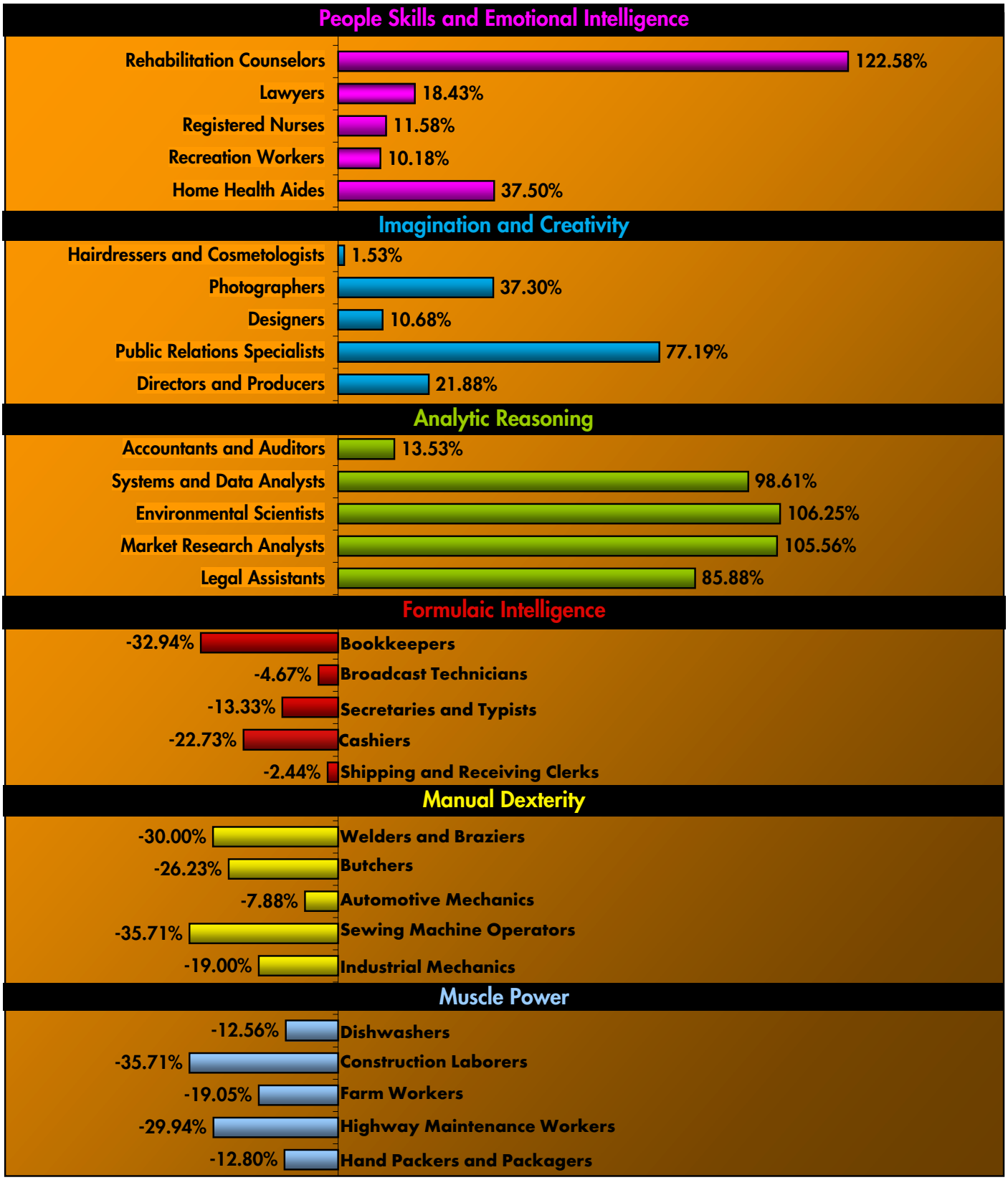


Sources: U.S. Department of Commerce, the Old Dominion University Economic Forecasting Project and U.S. Department of Defense

Patterns Of Occupational Change

Despite the importance of defense spending to the region, the mixture of jobs within Hampton Roads generally matches those of the nation. This is also true with respect to future job growth. Robert Reich, a past secretary of the U.S. Department of Labor, has pointed out that future job growth will be in occupations that render personal services to customers, or that involve critical-thinking skills. This will especially be true where it is possible to substitute technology for jobs characterized by repetitive movement and thinking. For example, if it is efficient to substitute computer software and automatic data entry operations for keypunchers and bookkeepers, then firms will do so.

GRAPH 15
PERCENT INCREASE / DECREASE IN SELECTED HAMPTON ROADS OCCUPATIONS (2000-2003) *



*Job categories adapted from the work of W. Michael Cox, Richard Alm and Nigel Holmes, The New York Times, May 13, 2004, p. A27.

Sources: U.S. Department of Labor and the Old Dominion University Economic Forecasting Project

Graph 15 lists the occupational categories developed by economists at the Federal Reserve Bank of Dallas, but uses data from Hampton Roads. The data here reflect regional job growth (or shrinkage) from 2000 to 2003. These figures broadly support Reich's hypotheses about job growth. Occupations that require the exercise of judgment in the provision of services to consumers (such as rehabilitation counselors and lawyers) have grown rapidly within the region, as have information technology and scientific jobs. Significant job declines within Hampton Roads, however, are observable among bookkeepers, cashiers, sewing machine operators and construction laborers. In all of these cases, it is possible in a classic sense to substitute capital for labor, and this is what profit-maximizing employers tend to do, whether or not they couch their decisions in such language. It's worth noting, that the politically charged notion of outsourcing has had little impact on Hampton Roads.

The citizens of Hampton Roads would do well to heed the advice of Michael Cox, Richard Alm and Nigel Holmes (The New York Times, May 13, 2004): "Trying to preserve existing jobs will prove futile … trade and technology will transform the economy whether we like it or not. Americans will be better off if they strive to move up the hierarchy of human talents." **Education, flexibility, renewal and retraining must be the bywords for both firms and their employees. This will hold true regardless of the level of defense spending. The ultimate solutions to our regional employment challenges reside locally. Those who become exorcised over the trade policies of the People's Republic of China, or lambaste outsourcing to India, would be better served if they focused their attention on improving the preparation of the Hampton Roads labor force.** Just as King Canute could not command the waves to disappear, we in Hampton Roads cannot somehow reverse efficiency-based international economic developments simply because we do not like them. What we can and must do, however, is educate and improve our labor force, while seeking to avoid those policies that unreasonably seek to diminish our economic flexibility.

THE STATE OF HAMPTON ROADS

VERSUS OTHER REGIONS

How Do We Compare? Hampton Roads Versus Other Regions

Some believe that competitive comparisons often incline to the odious, as Archbishop Boiardo long ago contended in the romance epic "Orlando Innamorato" (1480). Others contend most comparisons ultimately devolve into boring Tweedledum versus Tweedledee exercises that attempt to find differences that actually don't exist (18th century poet John Byrom, "On the Feuds Between Handel and Bononcini"). Nonetheless, let's be honest. Don't we often enjoy comparing ourselves to others, even if covertly?

Comparing Hampton Roads to other regions is more than an idle activity. There are occasions when we wish to puff up our chests in an attempt to attract a new firm, or perhaps a major league baseball team. In other cases, we make comparisons because we wish to focus on our shortcomings or failures and lay the basis for certain municipal, regional or state actions. The State of the Region report possesses no particular agenda, except that of fairly examining facts and information about Hampton Roads with the aim of improving our circumstances. It is in this spirit that we offer the comparative data in Table 1 that describe our region relative to others, regarding a variety of factors.

TABLE 1

COMPARING HAMPTON ROADS TO OTHER METROPOLITAN STATISTICAL AREAS (MSAs)

	HR	Rich	CharNC	JAX	Ral/D	CharSC	USA
INCOME AND JOBS							
Per Capita Income (000s)	$28.4	$32.1	$33.1	$30.0	$33.0	$27.0	$30.9
Per Capita Income (Inflation Adjusted, 000s)	$29.7	$31.4	$35.0	$31.3	$33.7	$26.8	$27.6
Unemployment Rate	3.9%	3.7%	3.5%	4.9%	3.5%	4.1%	5.7%
Recent Job Growth (2000-02)	1.3%	-0.9%	-.0.3%	0.8%	-0.3%	0.3%	-0.3%
Average Wage Per Hour	$16.62	$18.84	$18.55	n/a	$21.70	$16.88	$17.45
HOUSING							
Median Home Price (000s)	$139	$155	$152	$132	$175	$169	$170
Median Monthly Rent	$748	$785	$697	$675	$799	$578	$670
Rental Vacancy Rate	10%	12%	15%	10%	18%	n/a	10%
Home Ownership Percent	80%	70%	74%	67%	66%	65%	68%
COST-OF-LIVING INDICES							
Overall	95	94	96	89	104	100	100
Food	94	96	98	100	102	103	100
Housing	84	89	93	75	108	101	100
Utilities	138	110	95	88	93	94	100
Transportation	105	101	96	100	100	98	100
Health care	95	88	103	88	103	97	100
WEATHER							
January Average Low	32º F	28ºF	32º F	45º F	30º F	37ºF	26º F
July Average High	87º F	88ºF	88º F	90º F	88º F	89º F	87º F
Annual Precipitation	45″	43″	43″	54″	43″	52″	36″
Inches Snow Annually	7.0″	14.0″	6.0″	0″	7.0″	.5″	6
July Relative Humidity	71%	72%	69%	75%	71%	76%	69%
Sunny Days Annually	212	210	214	226	220	214	212
Hurricane Risk Score	41	21	24	63	29	60	15
EDUCATION							
High School Degree	85%	83%	81%	82%	85%	81%	80%
Two-Year College Degree	8%	5%	6%	8%	7%	6%	6%
Four-Year College Degree	15%	19%	19%	15%	25%	16%	16%
Graduate/Prof Degree	8%	10%	7%	7%	14%	8%	10%
Public School Expenditures Per Pupil	$5,379	$5,653	$5,252	$4,985	$5,390	$5,032	$5,894
Student/Teacher Ratio	14.3	14.7	16.6	19.2	15.5	15.5	16.7
Library Volumes Per Capita	2.8	3.1	2.2	2.7	2 .2	2.4	2.8

TABLE 1 CONTINUED
COMPARING HAMPTON ROADS TO OTHER METROPOLITAN STATISTICAL AREAS (MSAs)

	HR	Rich	CharNC	JAX	Ral/D	CharSC	USA
ENVIRONMENT AND HEALTH							
Air Quality Score	95	49	71	95	95	95	45
EPA Ozone Standard Attainment*	4	3	3	5	2	5	4
Water Quality Score	43	11	30	18	52	26	33
Pollen/Allergy Score	69	46	68	65	65	70	61
Physicians Per Capita	254	155	203	267	432	393	261
Hospital Beds Per Capita	344	233	281	294	385	381	432
Cost Per Doctor Visit	$69	$71	$63	$63	$76	$75	$67
CRIME							
Violent Crime Rate	435	253	802	867	498	613	456
Property Crime Rate	4,100	3,822	5,223	4,986	4,661	4,392	3,950
TRANSPORTATION AND COMMUTING							
Average Commute Time (minutes)	24	21	26	27	25	25	23
Percent Auto Commute	87%	88%	93%	90%	91%	90%	89%
Work at Home	3.9%	5.0%	2.0%	3.1%	2.6%	2.9%	3.9%
Number of Daily Airport Departures	141	115	637	145	352	65	294
Average Auto Insurance	$878	$1,008	$844	$1,063	$834	$1,078	$1,011
CULTURE, MUSIC AND THE ARTS							
Arts Radio Rating	8	5	8	1	8	1	3
Classical Music Rating	6	7	3	5	7	4	4
Professional Theater Rating	6	8	1	1	6	1	3
Museum Rating	9	9	8	8	8	8	6

Sources: Old Dominion University Economic Forecasting Project; Bert Sperling and Peter Sander, "Cities Ranked and Rated" (Hoboken, N.J.: Wiley, 2004).

***The "best" score on the EPA Ozone Attainment Standard is 5. The educational attainment percentages relate to the entire population of a metropolitan area.**

Income And Jobs

For many years, some observers have made much of the fact that the per capita income of Hampton Roads residents consistently has been below the national average, sometimes by 15 percent or more. As Table 1 reveals, this continues to be true. In 2003, our $28,400 per capita income, unadjusted for purchasing power, was 8.8 percent below the national average. However, once we adjust for the purchasing power of the dollars we earn, we find that the situation is almost reversed. Our inflation-adjusted per capita income was more than 6 percent higher than the national average.

What does this mean? As we demonstrated in the 2003 State of the Region report, approximately 90 percent of the households in Hampton Roads are better off, economically speaking, than their counterparts in New York City. Simply put, a dollar earned in Hampton Roads goes further than it does in most of the rest of the country. That is, a dollar here buys more goods and services, and by any reasonable standard, this is very good news.

Note, however, that the average wage rate paid per hour in our region trails the national average by about 5 percent as well as the average rate in each of the cities in our comparison group. Fortunately, we compensate for our lower wages by being able to buy a lot with the wages we do receive. Nonetheless, the average wage in Hampton Roads does trail Raleigh/Durham by more than 30 percent. The different job mixes of the two metropolitan areas are the primary reason for this. Raleigh/Durham's job mix includes many more high technology, information management, health-related and university research jobs than Hampton Roads. Our region does not boast a top 100 research university, which nationally is the keystone for generating such jobs. Over time, regional legislators have preferred to guide state investment into other priorities. As of 2003, for example, Old Dominion University's funding per student was 23 percent below the average of its peer institutions, some of which are in North Carolina. Eventually, such policy decisions impact incomes and we measure the results in Table 1.

The rate of unemployment in the region has been lower than the national average in recent years. Table 1 reports that the unemployment rate in Hampton Roads is 1.8 percent below the national average, though it is slightly higher than the rates in Richmond and Charlotte.

In the 2003 State of the Region report, we saw that the region's economy has performed better than the United States as a whole since 2001. For example, between 2002 and 2003, the number of jobs in Hampton Roads increased by 1.3 percent, whereas nationally the total number of jobs actually declined by .3 percent. If there is a dark side to this pleasant phenomenon, it is that many of the jobs being generated have tended to be service-oriented in nature – those that do not require extensive education and/or technical expertise. Consequently, the compensation associated with these jobs frequently has trailed national averages.

Housing

In the 2003 State of the Region report, we disclosed that since 2001, housing prices in Hampton Roads have risen at a rate almost twice the national average. Despite this run-up in housing prices, however, we do not yet find evidence of a housing price bubble in the region – that is, a situation in which homes are being overpriced to such an extent that a disastrous, rapid deflation in those prices is inevitable. That said, significant increases in interest rates in 2004-05 likely would place a major damper on our housing market and would diminish or halt the rapid housing price increases we have experienced in recent years.

As Table 1 reveals, housing prices in Hampton Roads continue to trail the national average, though our rental rates exceed the national average. **What is distinctive, and very good about our housing market, is our high rate of home ownership. Fully 80 percent of households in the region own their own home (though they may hold a mortgage on that home as well). This is 12 percent above the national average and reflects a vigorous policy on the part of the U.S. Navy that encourages its personnel to live off base in civilian housing.** The Navy provides incentives to personnel to do so and tends to station them in a single location for longer periods of time, making it worthwhile for such individuals to consider purchasing their own homes.

Cost-Of-Living Indices

While per capita income in Hampton Roads, unadjusted for price inflation, may trail the national average, as we have seen, once we take the cost of living into account, our region's per capita income exceeds the national average by more than 6 percent. This directly implies that the cost of living in Hampton Roads is below the national average. As Table 1 indicates, that is indeed the case. It is approximately 5 percent less expensive for a typical family to live in Hampton Roads than it is nationally. Housing is the least expensive element in our cost-of-living equation, followed by food and health care. However, transportation is 5 percent more expensive than the national average and our utility costs are a stupendous 38 percent more expensive.

Our less-than-average cost of living represents a distinct advantage to the region's citizens. The same income buys more here than in most other places in the country. Plausibly, this should represent a major plum for the region to dance in front of the eyes of prospective firms. And, indeed it is, though costs clearly are not the only factor, or perhaps even the major factor, that determine where firms decide to locate their operations. Other factors, including transportation, work force quality, education, research and development activity, cultural assets, intellectual resources and the like, influence companies as well. Alas, it is regarding some of these other indicators where the region does not perform quite so well. If costs (including taxes) were the only factor determining firm location, Hampton Roads would have struck gold long ago.

Weather

"De Gustibus Non Disputandum" ("We don't argue about people's tastes") applies in spades to the weather. How else can we explain why some prefer the 115-degree weather of Phoenix, while others opt to live in the cold of northern Maine? We're not likely to obtain consensus about what constitutes good weather.

Nonetheless, the United States has seen a significant movement of people from the cooler North to the generally warmer South since World War II, especially since air conditioning became virtually universal in the South. Warmer climes appear to appeal to more people than cooler ones, though obviously the extent to which this is true varies from season to season and place to place.

Hampton Roads benefits from a generally mild climate where snow is a relatively uncommon phenomenon and 60 percent of the days are sunny. Still, we observe the passage of the seasons and this remains attractive to many. Our major climatic negatives are the summer heat and humidity and the propensity for hurricanes in August and September.

Our geography and the ubiquitous presence of water influence our weather. It is, in fact, the proximity of attractive beaches that often overcomes most peoples' antipathy toward the heat, humidity and hurricanes. Many firms regard our moderate climate as a positive when they attempt to recruit new personnel, though some firms report that our humidity and hurricanes negatively influence prospective employees. By most measures, Hampton Roads' climate is at least marginally more attractive than that of nearby Richmond, which has higher July temperatures, more snow and greater humidity. Richmond is, however, less threatened by hurricanes.

Education

Hampton Roads excels with respect to educational attainment, if one focuses on K-12 education and community college activity. The higher one goes up the educational ladder, however, the less favorable the region's performance. **By a healthy margin, Hampton Roads exceeds the national average for adults holding a high school degree. However, it is below the national average in terms of the percentage of adults who hold a college degree, and this gap is wider at the graduate level. Madison, Wis., for example, can trumpet that 45 percent of its adults hold a college degree, while Raleigh/Durham boasts a rate of 25 percent. Unfortunately, only 15 percent of adults in Hampton Roads can claim the same status.** In fact, the region trails every city or region described in Table 1 in this regard.

Where K-12 public schools are concerned, Hampton Roads spends less than the national average, but nonetheless boasts a student/teacher ratio that is better than the national average. How can this be? There are two major reasons. First, the region tends to pay its teachers less than the national average. Second, we tend to economize on administrative expenditures compared to the remainder of the country. As a consequence, it is possible for us to have small K-12 classes even though we don't spend lots of money. Some might regard this as the best of all worlds. However, the payoff is in educational performance and it is here that the region may suffer. Lower-than-average SAT scores and college graduation rates in the long run arguably reflect the region's tendency to spend less on K-12 education than is true nationally.

Environment And Health

In general, Hampton Roads fares quite well when environmental quality measures are the focus of attention. Both our air and our water are cleaner than national averages and substantially cleaner than several of our regional competitors in the Southeast. Relative to most other large regions, we do not have an ozone problem.

We don't fare quite so well where health measures are concerned, however. In the 2000 State of the Region report, we reported that the citizens of Hampton Roads tend to be overweight and smoke more often than the national average. Table 1 also shows that we trail national averages insofar as the availability of medical doctors per citizen and the availability of hospital beds per citizen. Further, our average cost per doctor visit is slightly above the national average. In addition, we are burdened by a slightly higher-than-average pollen problem. Still, none of these deficits is overwhelming and the region actually looks better on many of these measures than its southeastern competitor cities. For example, Hampton Roads has more physicians per capita and more hospital beds per capita than Richmond, while visits to doctors here cost less than in the capital city.

Crime

Hampton Roads does not stand out where conventional crime statistics are concerned. **Our violent crime rate is slightly below the national average, while our property crime rate is a bit above the national average. Hampton Roads is not known for the existence of highly organized criminal elements, or for its high murder rate. Crime, then, is neither a major plus nor significant minus for the region, at least when we compare ourselves to others.** It is, however, an area where survey data (reported in the next chapter) suggest that progress would be welcome.

Transportation And Commuting

Complaints about traffic are common in metropolitan areas, and Hampton Roads is no exception. The truth, however, is that current levels of traffic congestion within the region are not bad when compared to other urban areas nationally. Commuting times approximate national averages and Hampton Roads drivers do not spend more time in traffic jams than the typical urban driver (see the 2000 State of the Region report for specific data).

Averages, however, can conceal substantial variability in underlying data and that is true in Hampton Roads. Drivers who are able to avoid the region's "choke points" (the three bridge-tunnels, the two Norfolk-Portsmouth tunnels, the limited number of other water crossings and I-64) and steer clear of "Navy traffic" usually are able to navigate the region with at least modest success, even during rush hour. If a driver has several ways to travel from one point to another, then she is likely to avoid travel frustration. If, however, that same driver has only one option available, then she is likely to encounter much-longer-than-average delays. Thus, a driver who absolutely must traverse I-64 on the Peninsula or travel through the Midtown Tunnel between Norfolk and Portsmouth during rush hour, almost certainly is going to encounter major delays.

There is also the reality that traffic congestion is ever increasing within the region. For example, the Virginia Department of Transportation has reported that rush-hour delays doubled on the highways of Hampton Roads between 1982 and 2001. Thus, traffic that might not be perceived as a problem today may soon become highly problematic as road and tunnel congestion reaches critical levels. This phenomenon is especially likely to occur on the "only one way to go" arteries within the region.

Since the gestation period for major traffic improvements is notoriously long (up to 20 years), the region would already need to be addressing traffic improvements it would like to have in place in 2020, for example. However, it does not appear this is a realistic target. First, the region's citizens decisively defeated a transportation referendum that was predicated upon a regional sales tax increase. Second, the Commonwealth's highway funding is in a disastrous state and, unless augmented, within a few years will not be able to support any new highway construction. **In a June 8, 2004, article by Peter Bacque in the Richmond Times-Dispatch, "How Did Virginia's Roads Get Like This?", Virginia Department of Transportation Commissioner Philip Shucet reported that all new highway construction will come to a screeching halt in 2010. Money will only be available then to repair existing highways. Virginia's gas tax has not been increased since 1986 and currently is only 17.5 cents per gallon. This tax would have to be 58 cents per gallon to have the same buying power the gasoline tax had in 1946, when it was a mere 6 cents per gallon.**

This report is not a call for imposing new transportation taxes, though it is obvious that such a move is a policy alternative that cannot easily be dismissed. The information presented here, however, should serve as a warning that the region's current commuting situation is likely to deteriorate very quickly because of its "choke point" travel structure. Citizens must make choices and this is one set of choices that will have significant future consequences.

Our situation is more sanguine in other transportation areas. While the region still cannot boast as many airport departures as most residents would like, each of its two major airports (Norfolk and Newport News-Williamsburg) has attracted an economy carrier (Southwest in Norfolk and Air Tran on the Peninsula) that has increased access even while offering competitive fares. Neither airport has "hub" status, but Southwest and Air Tran have substantially lessened the adverse impact of that deficiency.

Finally, the average annual automobile insurance paid by a Hampton Roads driver is approximately 15 percent below both the national average and the city of Richmond. This is one of the reasons why the overall cost of living within the region is also below the national average.

Culture, Music And The Arts

Hampton Roads is blessed with a thriving cultural scene. It is home to three diverse public radio stations, and the Virginia Symphony Orchestra (which we review in a subsequent chapter) is one of the best symphonies in the nation for a region of this size. Professional theater within the region is rated well above the national average and is ably supplemented by university theater performances.

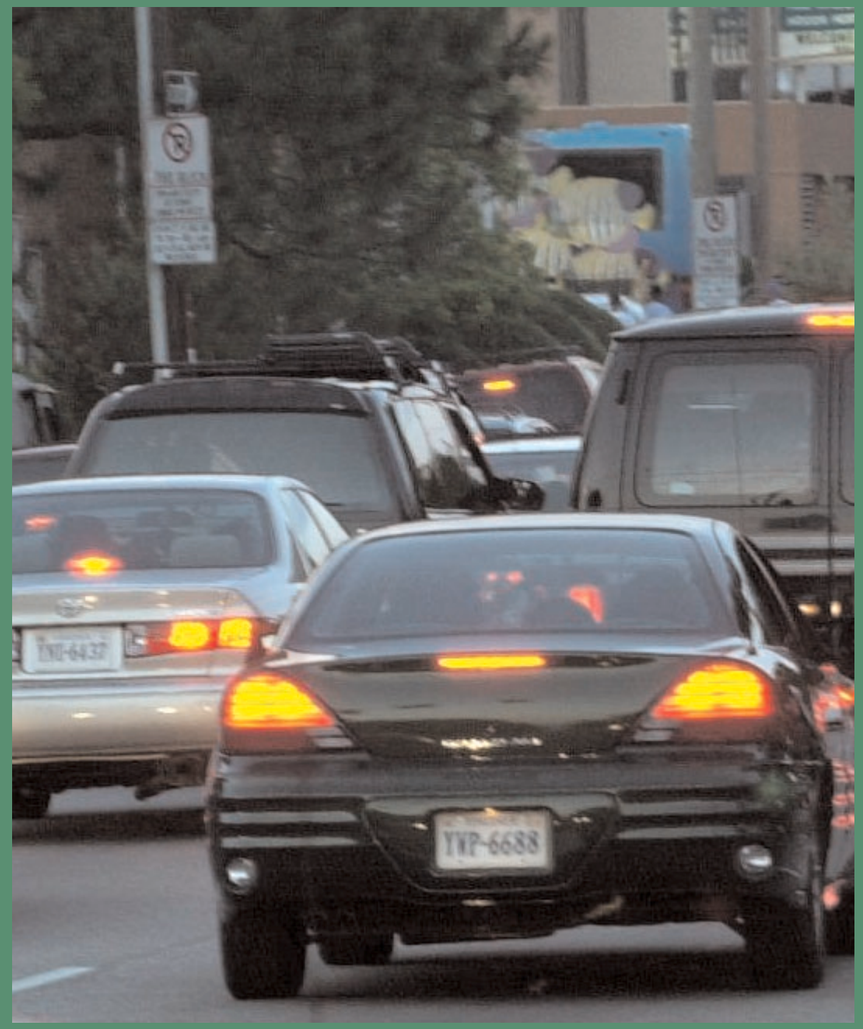
Where the region truly excels, however, is museums. The lodestar of museums within Hampton Roads is the Chrysler, which boasts an outstanding collection of art, including work from Bierstadt, Cassatt and Copley among American painters, and Degas, Gainsborough, Gauguin, Renoir, Rubens and van Dyck among European masters. But the region also boasts the Mariners' Museum in Newport News and the Virginia Aquarium & Marine Science Center and the Contemporary Art Museum of Virginia in Virginia Beach, along with several notable military museums, the battleship Wisconsin and the MacArthur Memorial. Sperling and Sander's "Cities Ranked and Rated" awards Hampton Roads a "9 out of 10" (with 6 being the national average) for its museums.

The national (read New York) image of medium-sized metropolitan areas such as Hampton Roads is that they tend to be culturally underdeveloped – not quite backwater, but certainly nowhere near the front ranks of American culture. **It would be a mistake for us to make too much of the cultural development of Hampton Roads. By the same token, external authorities clearly document that our region can satisfy the daily cultural needs of all but a few of its residents, and its overall range of cultural opportunities must be regarded as one of the region's strongest advantages relative to other cities in the Southeast.**

Summing It Up

Is our propensity to compare ourselves to other cities and regions ultimately a boring exercise that yields little that is useful? In some instances, the answer may be yes – for example, when we attempt to establish that our weather is better than the weather in some other city. It must be noted, too, that, on occasion, our comparisons steer us in the wrong direction. When we compare per capita incomes that have not been adjusted for purchasing power, we actually generate disinformation that can lead to faulty decisions.

Despite these caveats, often it is useful to know where we stand relative to other cities and regions. **We can do a better job attracting and retaining employees if we are aware of the purchasing power of our income, our clean air and water, and the high quality of our cultural institutions. To be sure, our region does not excel in all areas, but it is helpful to intelligent citizenships for us to know where we do well and where we might improve.**



THE STATE OF

WHAT DO WE BELIEVE

What Do We Believe? How Hampton Roads Residents View Their World

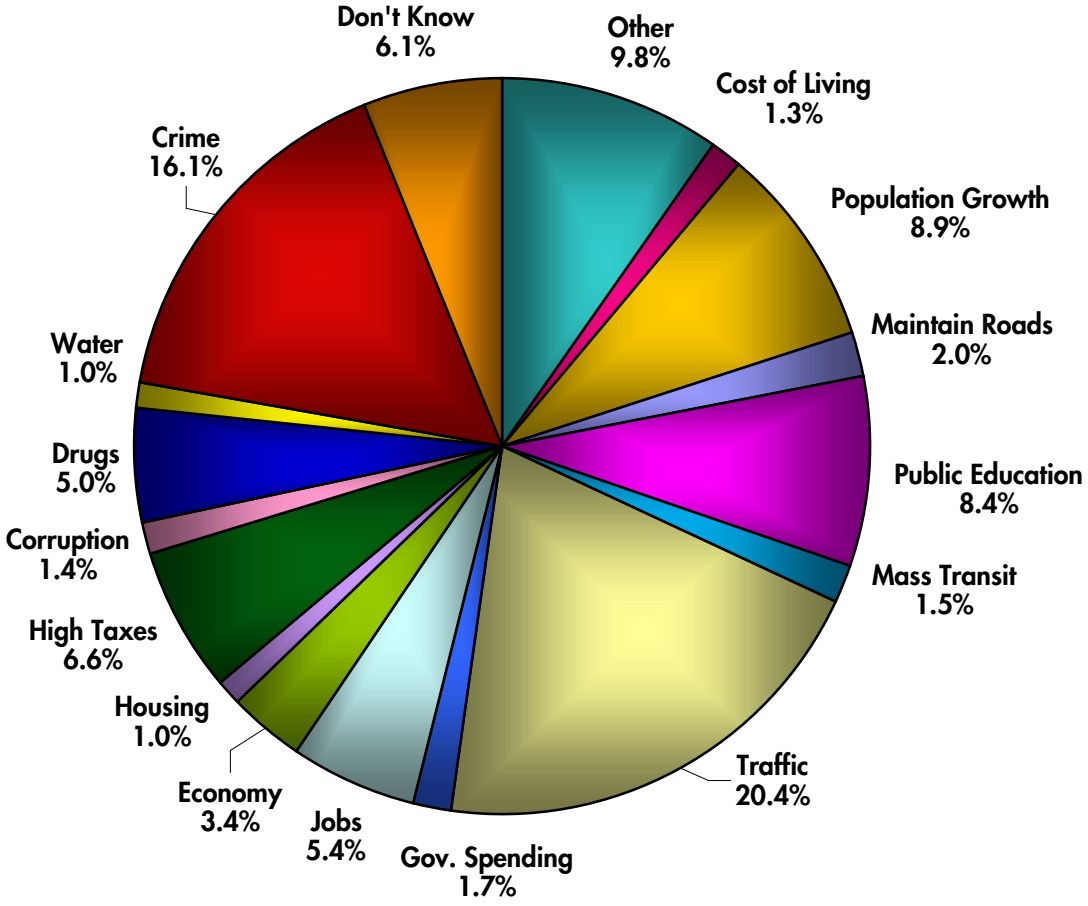
I can't get no satisfaction. — Mick Jagger

In May and June 2004, the Social Science Research Institute at Old Dominion University polled a stratified random sample of 1,189 residents who live throughout Hampton Roads and asked them to express their views on a wide range of issues. Political scientist Joshua Behr directed this effort, which was designed to elicit residents' feelings about many of the hot-button issues within the region. For the first time, a Quality of Life Index (QLI) was developed on the basis of residents' responses in order to measure their overall satisfaction with their situation. Not surprisingly, the QLI reveals that we're not all equally satisfied with our lot in life and that the level of satisfaction varies substantially from city to city and from one ethnic group to another. We report all of these results in this chapter.

What's The Biggest Problem Facing Your City Today?

Traffic (20.4 percent) and crime (16.1 percent) are the two problems citizens seem most concerned about in Hampton Roads. Further, when road maintenance and mass transit are factored in, it is apparent that general traffic-related problems loom largest in the public preception. Graph 1 presents these data. Note that economic issues (jobs, taxes, cost of living) do not burden area residents as much as one might have expected. The region's relatively low rate of unemployment, its less-than-national-average cost of living, and Virginia's position as a low-tax state probably have something to do with this.

GRAPH 1
WHAT DO YOU THINK IS THE BIGGEST PROBLEM FACING YOUR CITY TODAY?

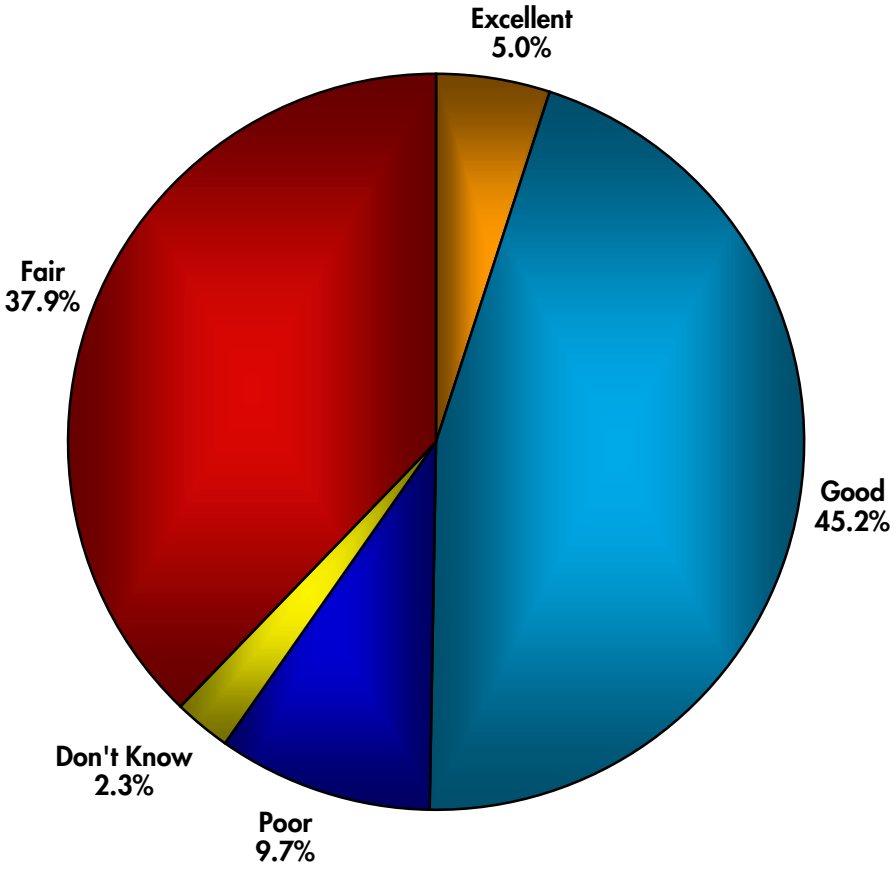


How Do You Rate Local Government Services?

Slightly more than 50 percent of survey respondents rate the provision of their local government services as excellent or good, with 38 percent rating those services only as fair, and 10 percent as poor. Graph 2 reports these results, which subjectively one might classify as "not really good, yet not so bad." Previous experience, however, suggests that most citizens are rigorous graders where their public services are concerned. Among the larger cities, the residents of Virginia Beach assign the highest grades to their local government services (almost 58 percent regard them as excellent or good), while Portsmouth occupies the other end of the distribution with only 34 percent of its residents ranking their local government services as excellent or good.

Approximately 58 percent of Whites/Caucasians and Asians/Asian Americans regard their local government services as either excellent or good, while only 33 percent of Black/African Americans and Hispanics/Latinos hold the same view. Also, 54 percent of men see their government services as excellent or good, while only 48 percent of women hold the same view.

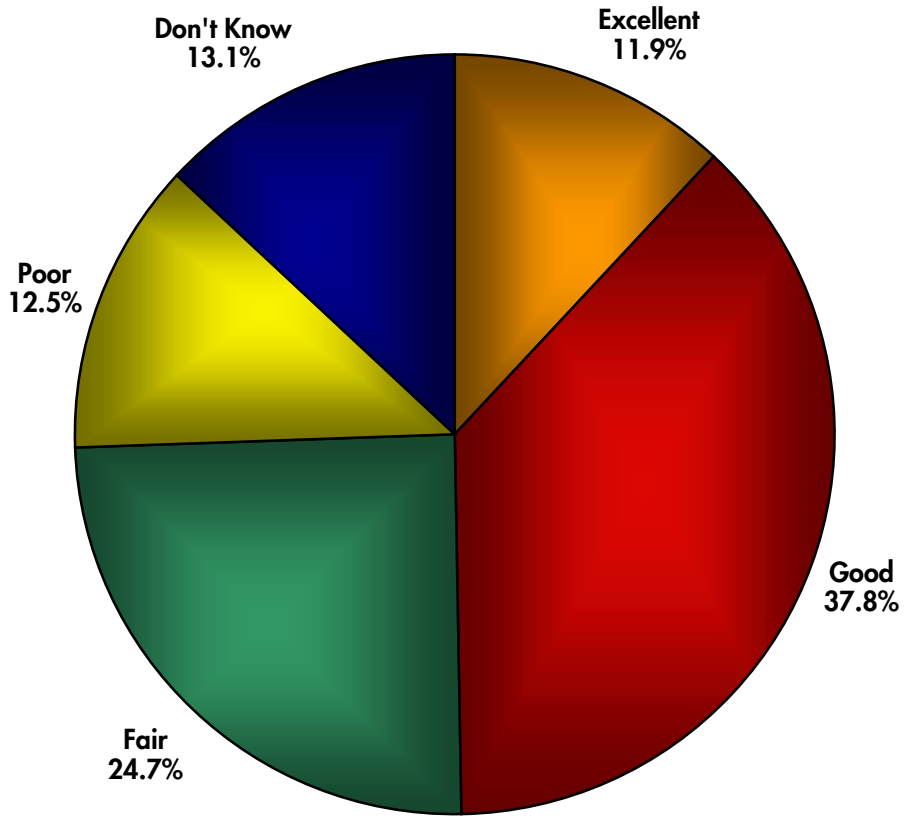
GRAPH 2
OVERALL, HOW WOULD YOU RATE LOCAL GOVERNMENT SERVICES?



How Do You Rate K-12 Education In Your Public Schools?

Hampton Roads' K-12 public schools occupy a generally favorable position in the eyes of regional citizens. Approximately 50 percent of respondents rate their K-12 public schools as excellent or good, with 25 percent viewing them as only fair, and a bit more than 12 percent as poor. James City and York County residents are particularly pleased with their schools, while Portsmouth and Suffolk citizens generally are displeased. Graph 3 illustrates these data.

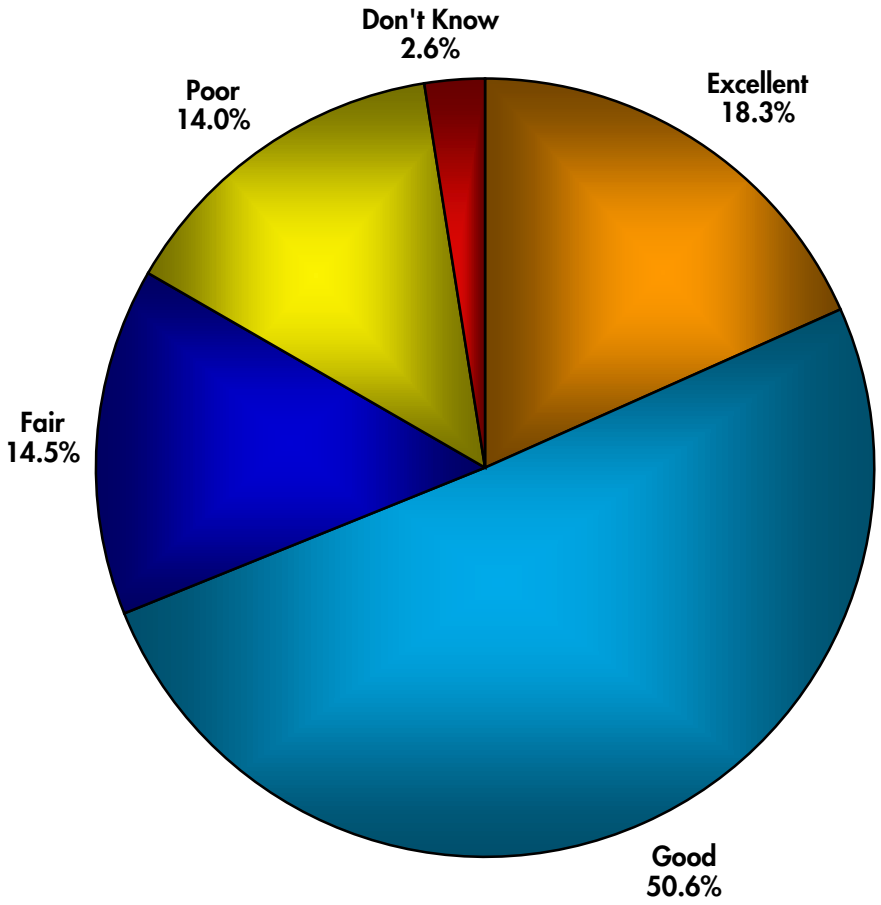
GRAPH 3
OVERALL, HOW WOULD YOU RATE EDUCATION IN YOUR PUBLIC SCHOOLS, KINDERGARTEN THROUGH 12TH GRADE?



How Do You Rate Education In Our Colleges And Universities?

Almost 69 percent of Hampton Roads citizens grade their higher education opportunities as excellent or good, with only 2.6 percent rating them as poor. Indeed, the lowest satisfaction score among any of the cities and counties is the 58.6 percent from Gloucester. Higher education received high scores in nearly every community.

GRAPH 4
OVERALL, HOW WOULD YOU RATE EDUCATION IN OUR COLLEGES AND UNIVERSITIES?



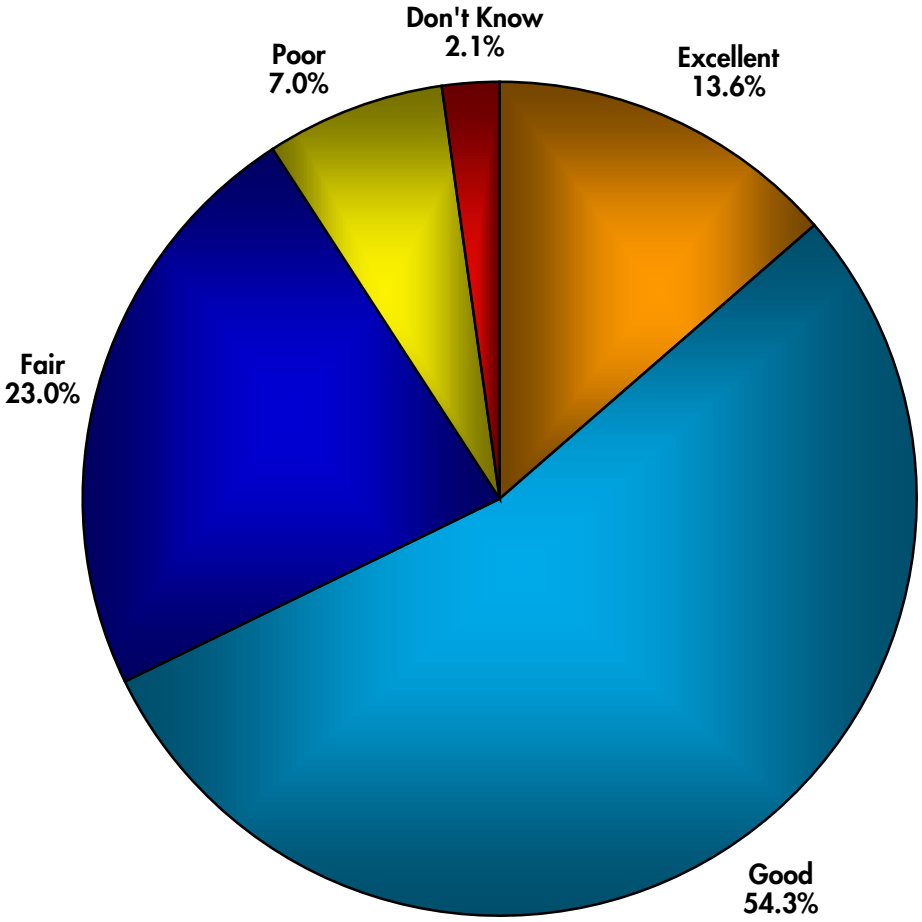
How Do You Rate Law Enforcement And Home Safety?

Law enforcement also receives generally favorable ratings from the region's residents. Almost 68 percent of respondents perceive their local law enforcement to be excellent or good and only 7 percent rate it as poor. The citizens of the region's central cities typically assign somewhat lower scores to their law enforcement services.

There are no significant differences in the perceptions of men and women with respect to law enforcement. Nonetheless, noticeable differences between ethnic groups exist in terms of their evaluations of local law enforcement. More than three-quarters (77 percent) of Whites/Caucasians believe their law enforcement is either excellent or good, while only 58 percent of Asians/Asian Americans, 52 percent of Hispanics/Latinos and 47 percent of Blacks/African Americans do. These differences actually are smaller than those observed in the largest urban areas of the country. The 2001 State of the Region report documented similar disparities in the perceptions of the region's citizens concerning law enforcement. Thus, things have not changed even though several cities now have minority police chiefs.

Whatever residents think about their law enforcement, an overwhelming majority report that they feel safe at home. More than 94 percent report a feeling of safety, while only 4.9 percent perceive that they are unsafe.

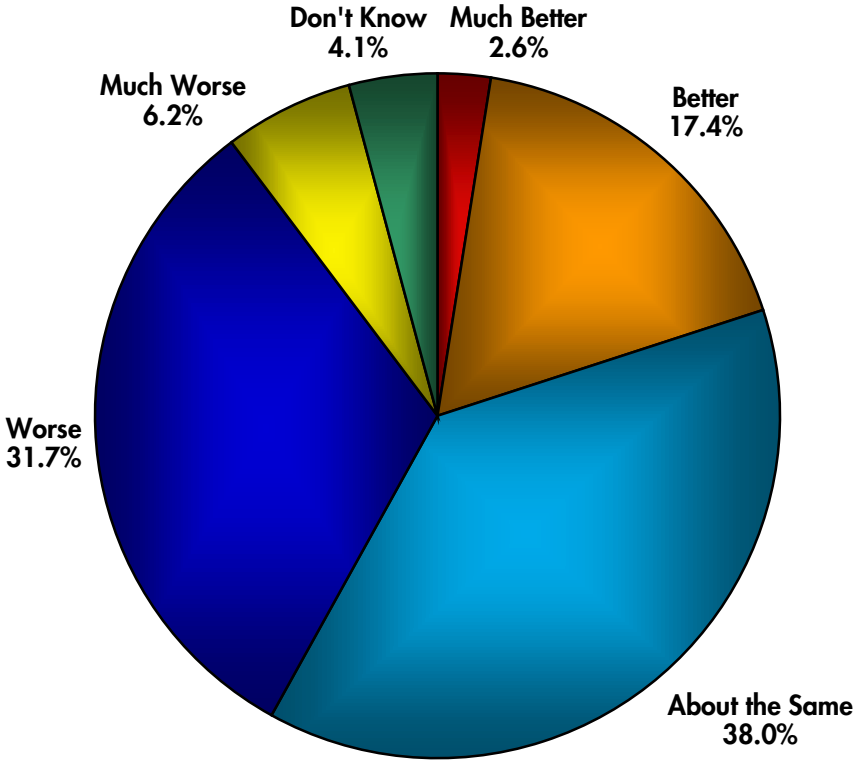
GRAPH 5
OVERALL, HOW WOULD RATE LAW ENFORCEMENT?



How Do You Rate The Change In Crime Over The Past Five Years?

Has crime increased or decreased over the past five years? About 20 percent of citizens believe the rate of crime has declined, while 38 percent report it is about the same. However, Graph 6 reveals that a significant 38 percent of citizens believe crime has become worse in recent years. There is some dissonance between this perception and the generally positive reviews that local law enforcement receives.

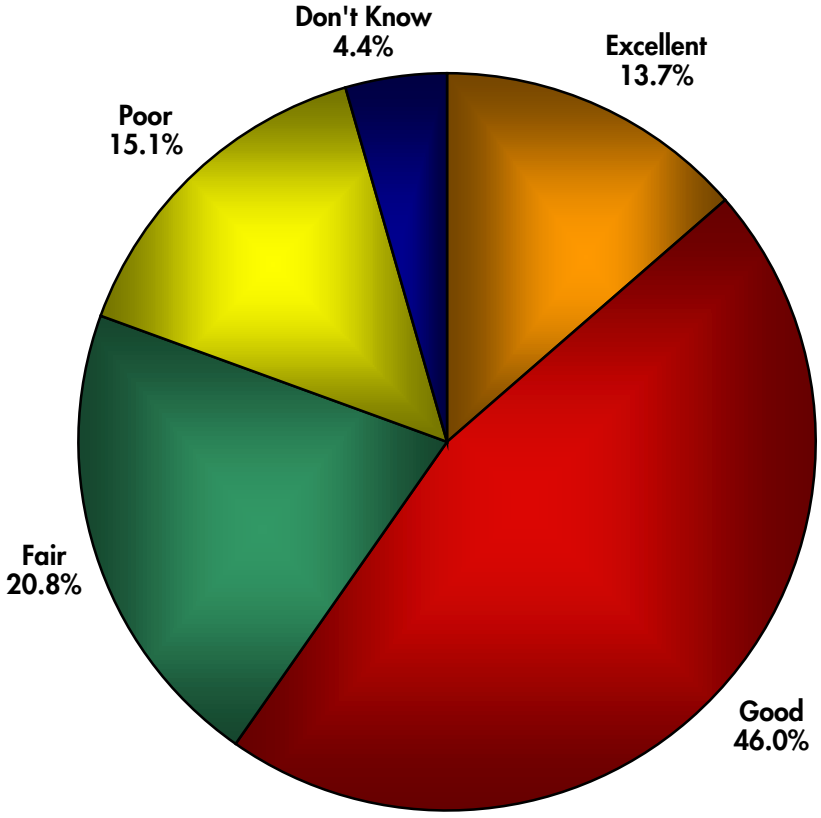
GRAPH 6
OVER THE PAST FIVE YEARS, OVERALL HOW WOULD YOU RATE THE CHANGE IN CRIME?



How Do Your Rate Your Medical And Health Care?

Almost 60 percent of Hampton Roads residents rate their medical and health care as excellent or good, though 15 percent regard it as poor. In general, the more remote and rural a city or county is, the lower the ratings medical and health care receive in that jurisdiction.

GRAPH 7
OVERALL, HOW WOULD YOU RATE MEDICAL AND HEALTH CARE?

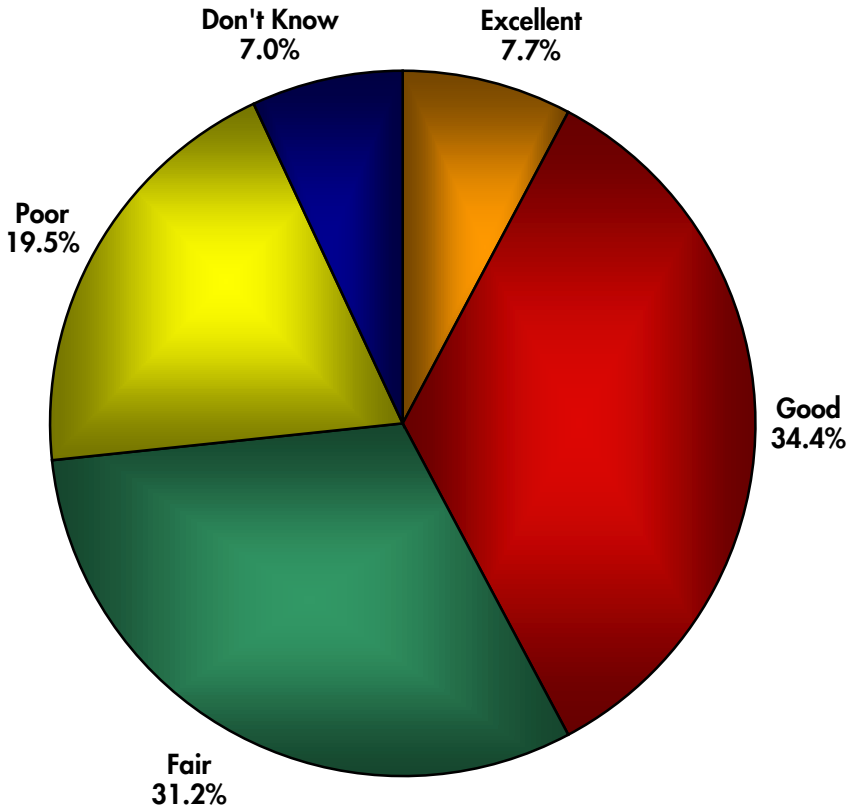


How Do You Rate Opportunities For Employment?

Despite the fact that the region's rate of unemployment has been below the national average for many years, citizen perceptions of employment opportunities are surprisingly lukewarm. As Graph 8 records, slightly more than 42 percent of respondents believe that employment opportunities are excellent or good, but 31.2 percent assign only a fair rating and 19.5 percent assign a poor rating. This may reflect the view that while unemployment has been relatively low within our region, opportunities for high-paying jobs have not grown at a rapid rate, or that employment security is low. These latter perceptions are only partially supported by actual evidence.

The various ethnic groups in the region respond in very different ways to the employment opportunity question. Fifty-one percent of Whites/Caucasians believe their employment opportunities are excellent or good, while only 41 percent of Hispanics/Latinos hold the same view. For Asians/Asian Americans, this response declines to 32 percent and it is only 21 percent for Blacks/African Americans.

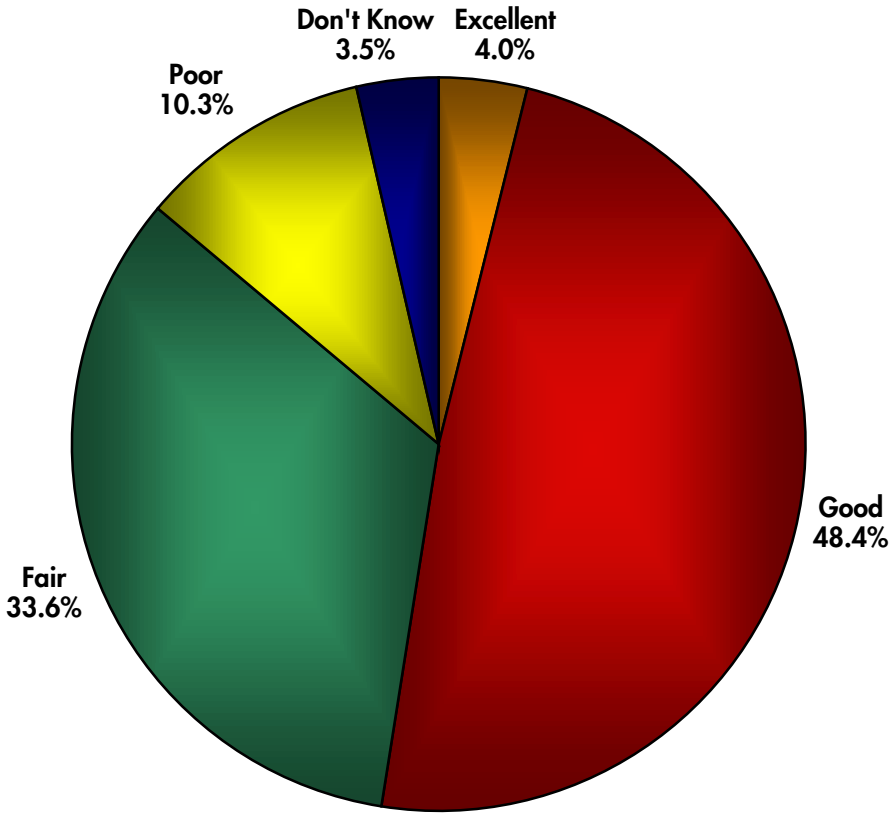
GRAPH 8
OVERALL, HOW WOULD YOU RATE OPPORTUNITIES FOR EMPLOYMENT?



How Do You Rate Race Relations?

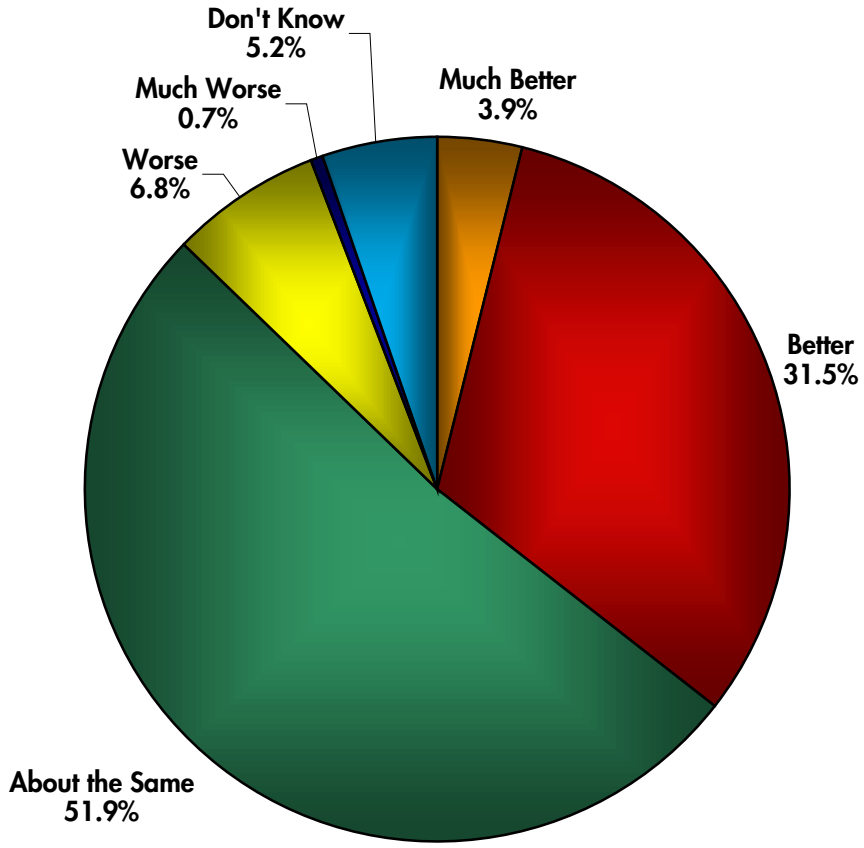
More than 52 percent of respondents rate race relations in Hampton Roads as excellent or good, with 33.6 assigning only a fair rating and 10.3 percent a poor rating. Graph 9 reports these data. No difference exists in the responses of men and women to this question. However, the citizens of cities with the largest minority populations typically do not assign ratings as favorable as do residents where there is less ethnic diversity. Twice as many Whites/Caucasians (62 percent) believe race relations are excellent or good, as do Blacks/African Americans (30 percent). Hispanics/Latinos (41 percent) and Asians/Asian Americans (53 percent) fall in between the polarized White/Black responses.

GRAPH 9
OVERALL, HOW WOULD YOU RATE RACE RELATIONS?



How have things changed in this arena over the past five years? Graph 10 discloses that a gratifying 35.4 percent of citizens believe race relations have improved, while only 6.8 percent believe race relations have deteriorated. Suffolk stands out as the city where the largest proportion of respondents perceives that race relations are improving.

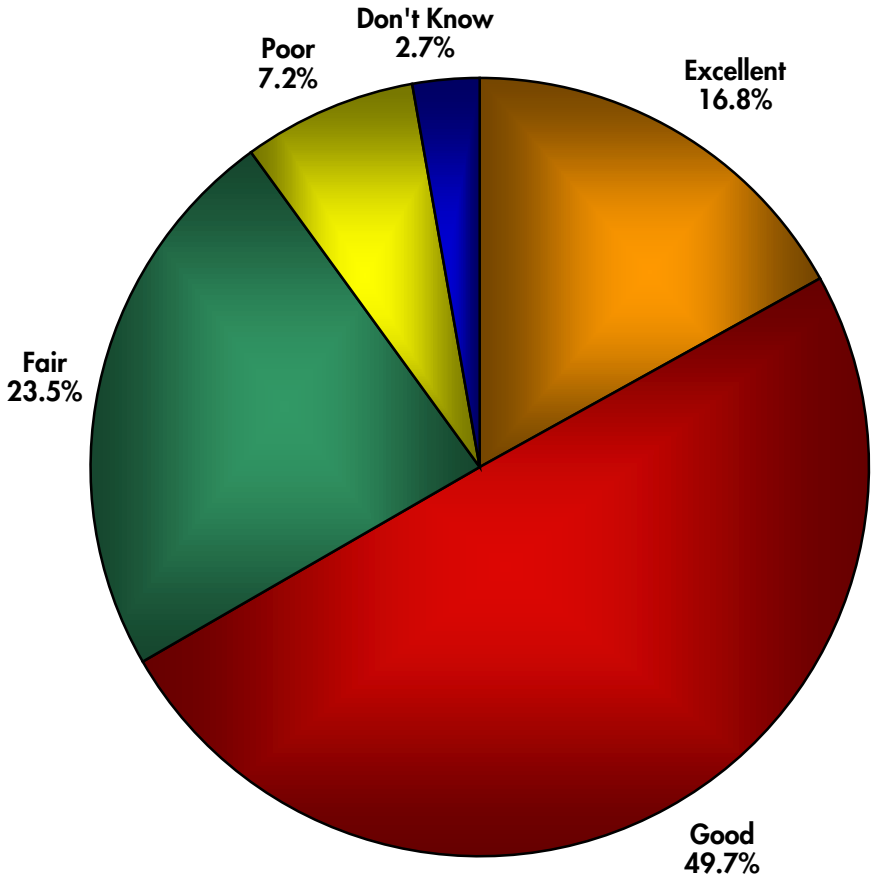
GRAPH 10
OVER THE PAST FIVE YEARS, OVERALL HOW WOULD YOU RATE THE CHANGE IN RACE RELATIONS?



How Do You Rate Parks And Recreation?

Approximately two-thirds of the residents of the region rate their parks and recreational opportunities as excellent or good, and only 7.2 percent consider them to be poor. These results are summarized in Graph 11. Among the larger cities, the residents of Portsmouth assign the lowest ratings, while Virginia Beach citizens assign the highest ratings.

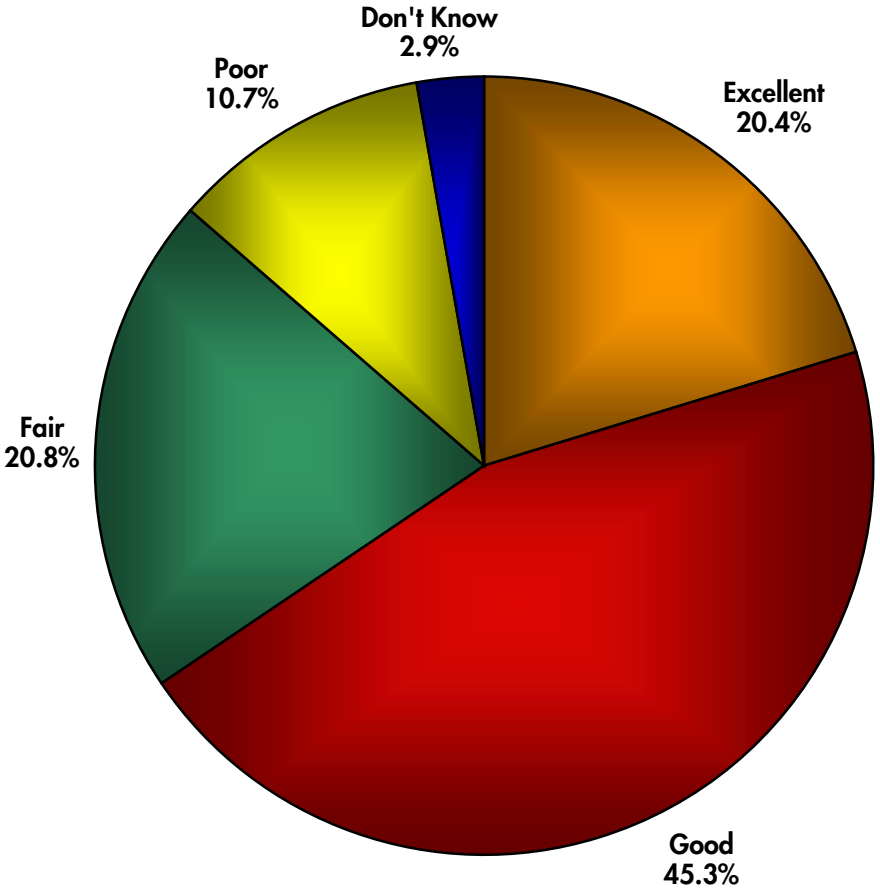
GRAPH 11
OVERALL, HOW WOULD YOU RATE PARKS AND RECREATION?



How Do You Rate The Arts And Cultural Activities?

Fully 65.7 percent of the region's residents perceive the availability of arts and cultural activities to be excellent or good, though 10.7 percent believe such to be poor. Graph 12 depicts these ratings. The residents of Hampton Roads' largest cities generally believe their arts and cultural opportunities are strong, while more rural residents often say the opposite. Among the largest cities, Suffolk's residents are most critical of the arts and cultural opportunities available to them. It's interesting that "Cities Ranked and Rated" (Sperling and Sanders, 2004) assigns much higher ratings to our cultural and arts amenities than do Hampton Roads residents. (These rankings were reported in the preceding chapter.) Cultural and arts leaders believe that many citizens simply are unaware of the richness of opportunities available in the region.

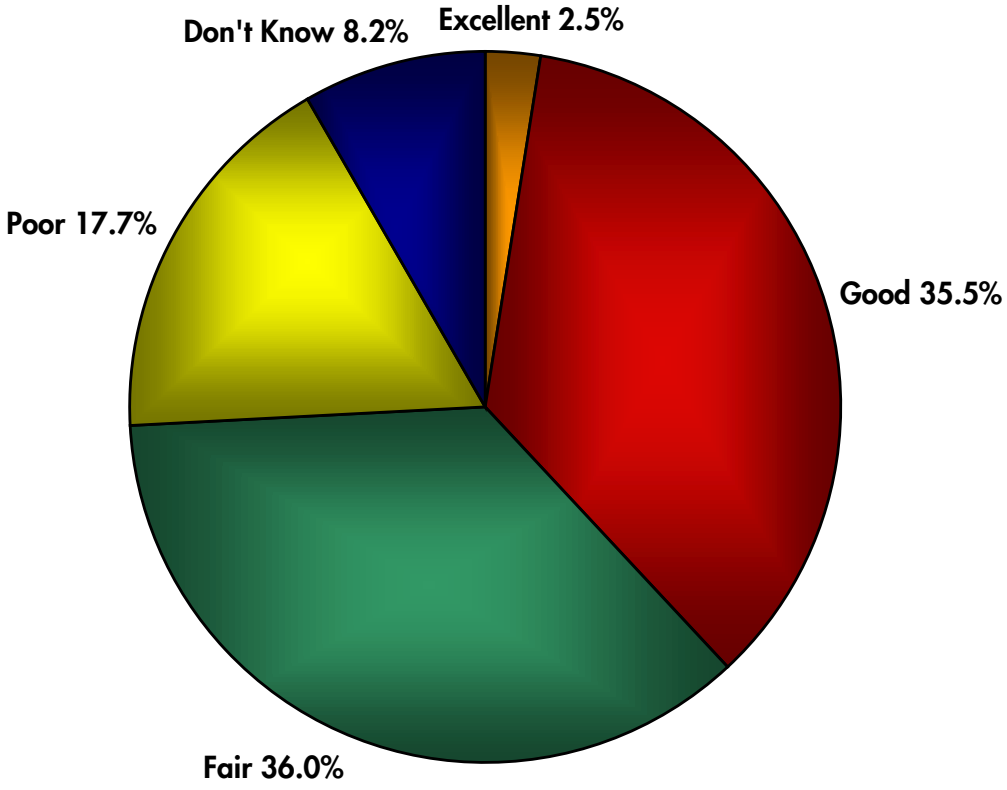
GRAPH 12
OVERALL, HOW WOULD YOU RATE THE VARIETY OF ARTS AND CULTURAL ACTIVITIES?



How Do You Rate Cooperation Among Local Governments?

Do local government units cooperate with each other? The region's citizens assign mixed grades here. Graph 13 reveals that a majority of residents believe that such cooperation is only fair or poor. Portsmouth, Norfolk and Hampton citizens are particularly critical in this regard. In general, citizens are inclined to the view that their elected officials do not work hard enough to cooperate with other jurisdictions.

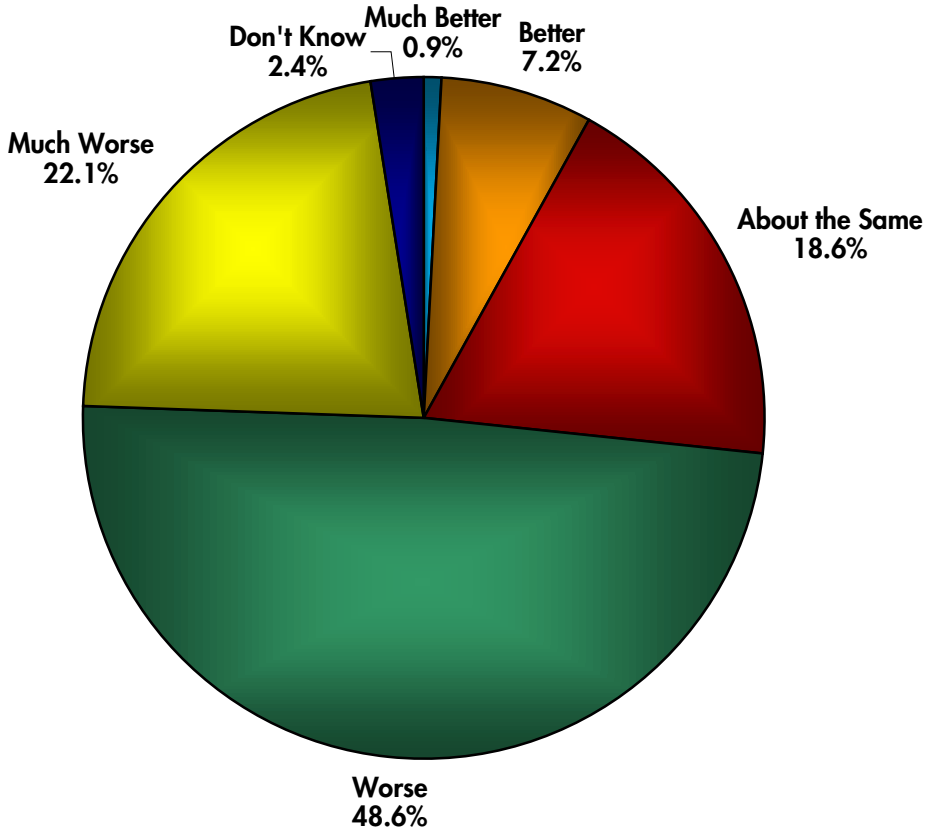
GRAPH 13
OVERALL, HOW WOULD YOU RATE COOPERATION BETWEEN GOVERNMENTS?



How Do You Rate The Change In The Flow Of Traffic Over The Past Five Years?

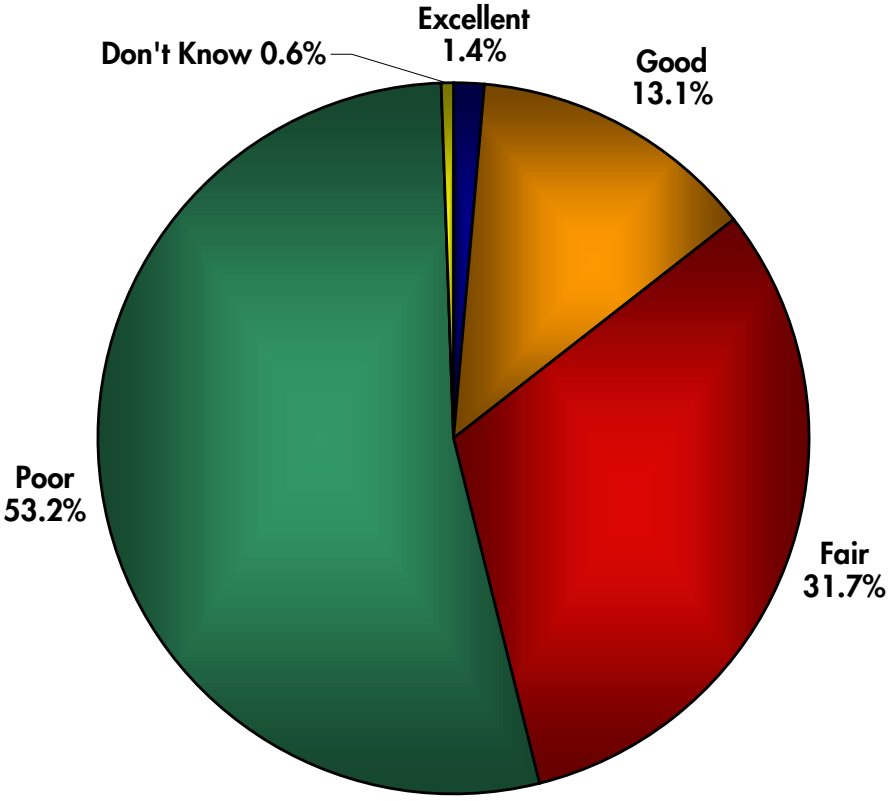
The citizens of the region perceive (accurately) that traffic congestion has increased over the past five years. Only 8.1 percent rate the change in the flow of traffic during this period as improved, while 70.7 percent believe traffic has become more congested. Graph 14 summarizes these responses. Among the larger cities, Norfolk and Virginia Beach residents are especially critical of the changes in their traffic flow, followed by the citizens of Suffolk, Hampton and Chesapeake.

GRAPH 14
OVER THE PAST FIVE YEARS, HOW WOULD YOU RATE THE CHANGE IN FLOW OF TRAFFIC ON THE REGION'S ROADS?



While most of the region's residents believe traffic is getting worse, 46.2 percent believe it still is excellent, good or fair. Nevertheless, the data presented in Graph 15 portray deterioration in traffic congestion, at least compared to the polling data we published in the 2000 State of the Region report.

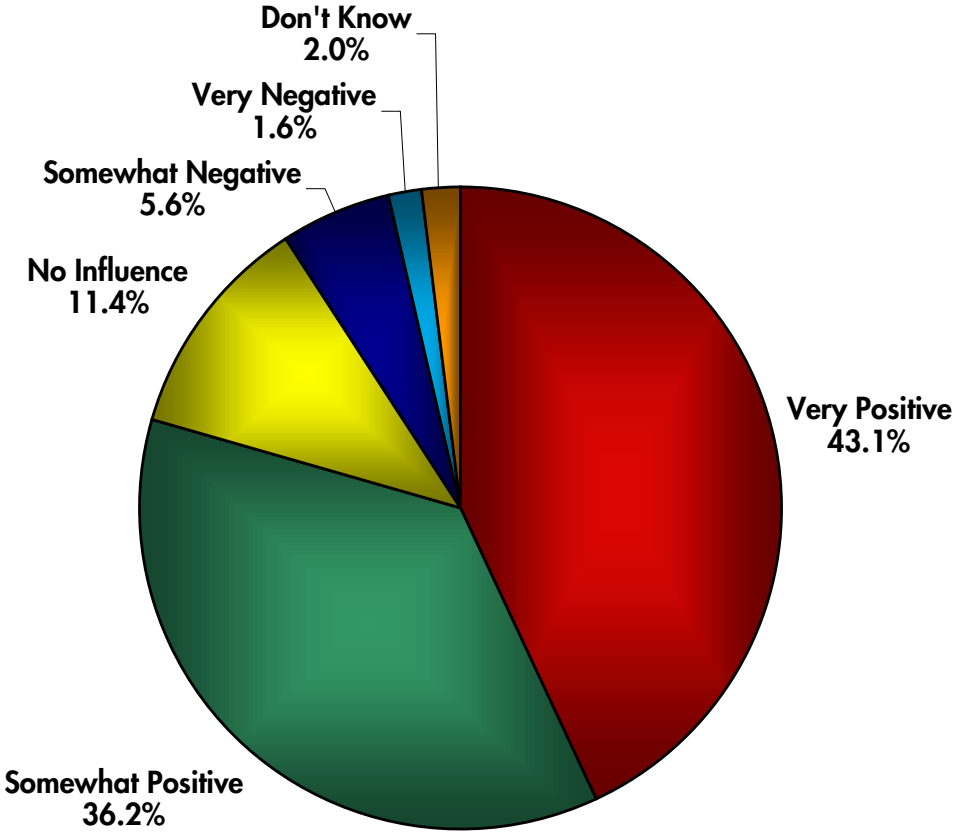
GRAPH 15
OVERALL, HOW WOULD YOU RATE THE FLOW OF TRAFFIC ON THE REGION'S ROADS?



What Type Of Influence Does The Military Have On Your City?

In 2003, more than 104,000 active-duty military personnel were stationed in Hampton Roads and another 30,000 civilian personnel who work for the military also lived in the region. As we already have seen, about one-third of our region's income is directly attributable to the Department of Defense. Therefore, the influence of the military looms large in Hampton Roads. What is the attitude of residents toward the military? Almost 80 percent see the influence of the military as somewhat positive or very positive. As Graph 16 reveals, only 7.2 percent of citizens rate the influence of the military as somewhat negative or very negative. Given the pervasive presence of the Department of Defense in Hampton Roads, this must be regarded as a salutary result for all concerned.

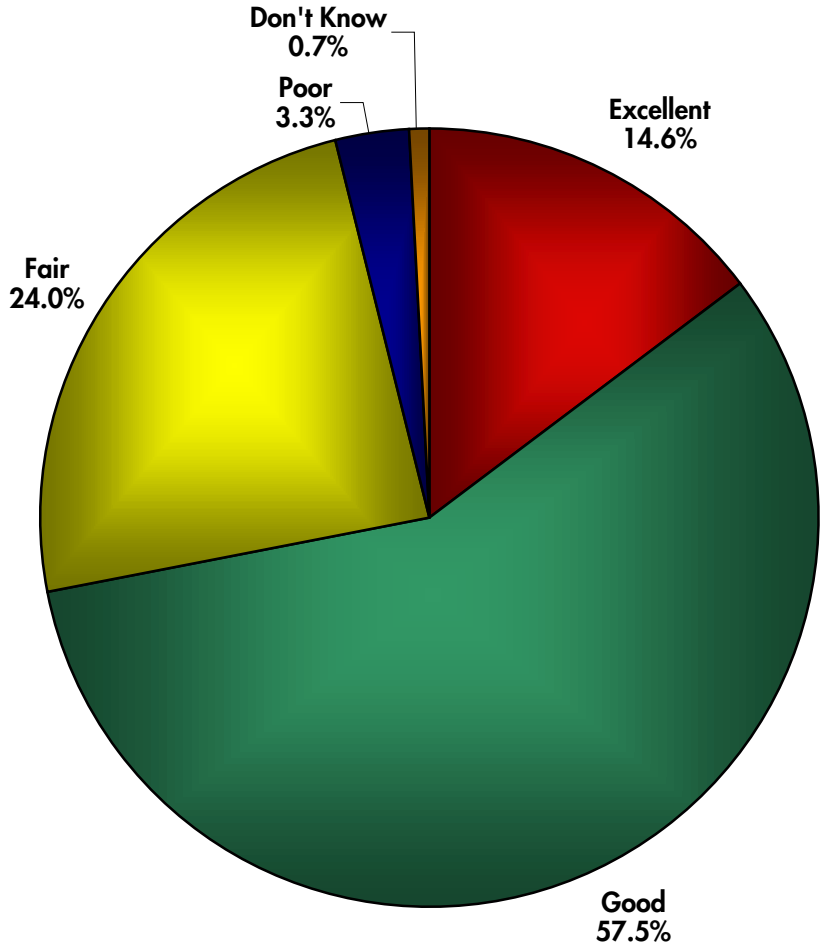
GRAPH 16
WHAT TYPE OF INFLUENCE WOULD YOU SAY THE PRESENCE OF THE MILITARY HAS ON YOUR CITY?



How Do You Rate The Quality Of Life In Your City?

Slightly more than 72 percent of those surveyed believe that the overall quality of their lives is either excellent (14.6 percent) or good (57.5 percent). Only 3.3 percent of respondents believe the quality of their lives is poor. Graph 17 provides a visual representation of these data. While our region's residents see many problems in their environment, nonetheless a healthy majority of survey respondents believe that their quality of life is at least good. As we shall see below, however, a significant segment of the region's citizens would move away from Hampton Roads if an opportunity arose.

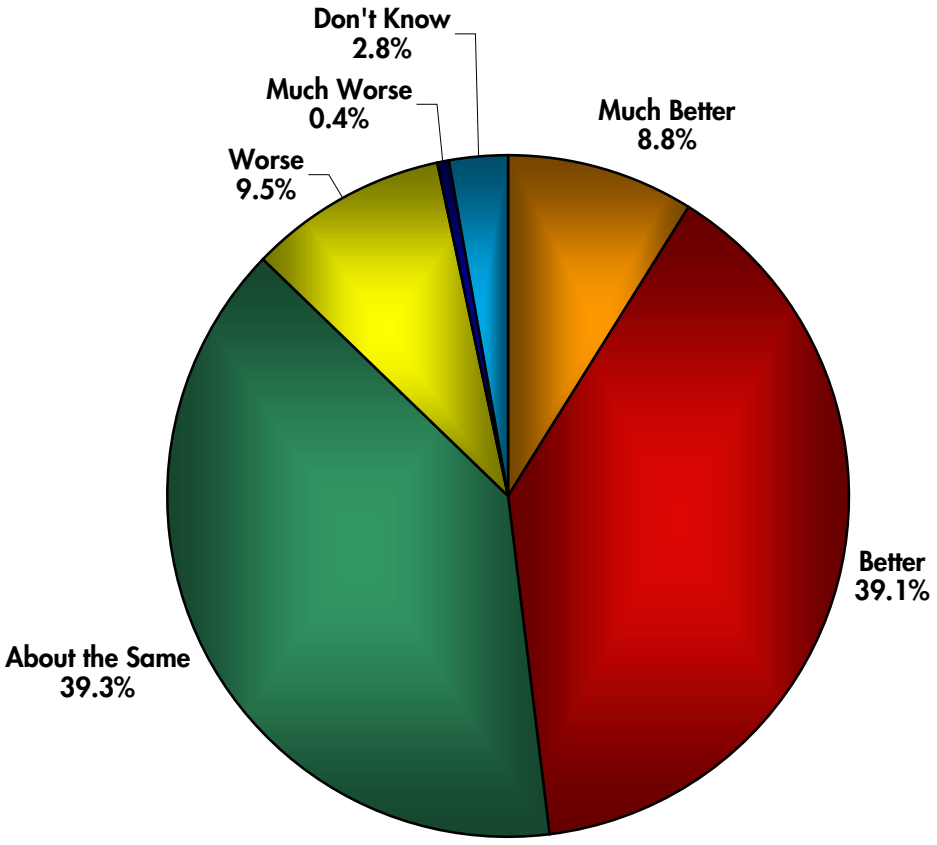
GRAPH 17
HOW WOULD YOU RATE THE OVERALL QUALITY OF LIFE IN YOUR CITY OR COUNTY?



Has Hampton Roads Become A Better Place To Live In The Past Five Years?

If we consider all of these issues together, has Hampton Roads become a better place to live over the past five years? Graph 18 reports that 47.9 percent of survey participants saw improvement, while only 9.9 percent perceived deterioration. The pattern of responses among the cities represents a patchwork. More than 60 percent of the residents of suburban cities such as Gloucester believe improvements have occurred, but so also do 52 percent of the citizens of a core city such as Norfolk. Among the larger cities, the residents of Hampton are least likely to perceive improvement.

GRAPH 18
OVER THE PAST FIVE YEARS, OVERALL HOW WOULD YOU RATE THE CHANGE IN YOUR REGION AS A PLACE TO LIVE?



A Quality Of Life Index (QLI) For Hampton Roads

Measuring the quality of life of an area is a difficult, subjective task. We have developed a Quality of Life Index (QLI) based upon 12 factors:

TIER ONE[1]

Cost of living
Safety around one's home
Opportunities for employment
Traffic flow

TIER TWO

Local government services
Medical and health care
Race relations
K-12 public schools

TIER THREE

Parks and recreation
Arts and cultural activities
Neighborhood appearance
Political responsiveness

The QLI varies between 1 and 100 and is a weighted average of the responses from the 1,189 people who were polled concerning the 12 factors noted above.[2]

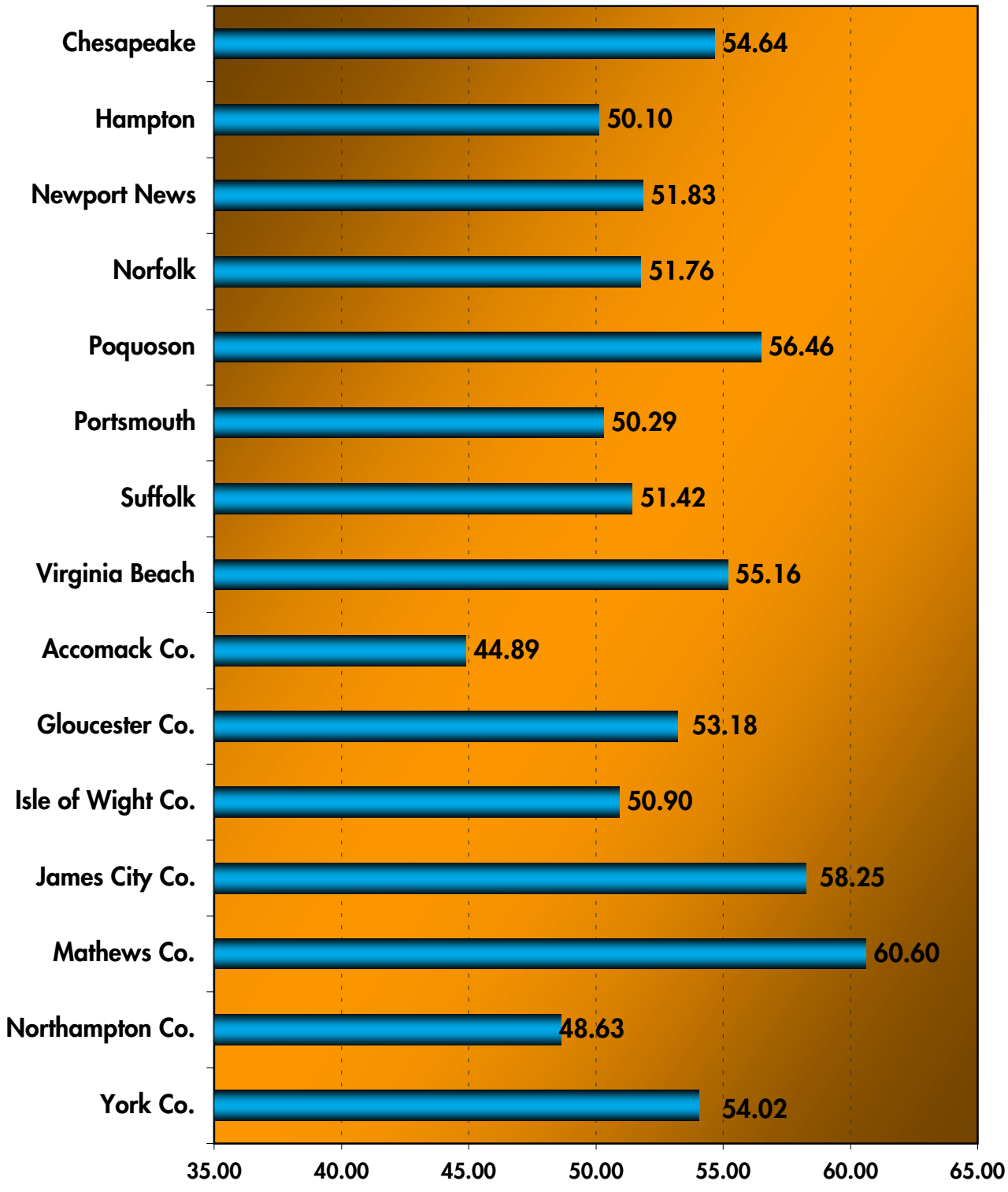
Graph 19 depicts the QLI values for each city or county within the region. The highest QLI (60.60) belongs to the residents of Mathews County, while the lowest is Accomack County (44.89). The average QLI for Hampton Roads is 47.96. In general, cities and counties with the highest average incomes tend to have the highest QLIs, though income is not the only determinant. Plausibly, however, residents of James City County, Poquoson, Virginia Beach, Chesapeake and York County typically are able to purchase or command more of the things individuals usually prefer – better schools, more smoothly flowing traffic, arts and cultural offerings, job opportunities and the like.

Since this is the first year that a QLI has been computed, it provides only a snapshot of the quality of life in the various cities, and in the case of the smallest cities and counties, it is based upon sample sizes as small as 22. Hence, one should not make too much of these data immediately, intriguing as they are. As time passes, however, the QLI data will provide us with increasingly useful information. A change in the QLI over time, in particular, will carry with it the intimation of visible improvement or deterioration in a city's or county's circumstance. Decision makers could choose to ignore such changes, but only at considerable peril. Further, cities whose QLIs consistently are higher (or lower) than those of other cities plausibly should pay attention and reflect on the reasons for this. Upon request, we will supply city-specific data so that municipal leaders can see precisely how their citizens responded to the 12 factors listed above.

[1] The three tiers reflect the relative importance of these factors expressed by the 1,189 poll respondents.

[2] The QLI was constructed by assigning a number, 1 through 4, to each citizen's response to any question on the survey. In each case, the number 4 represents a best-of-all-worlds response ("excellent" or "very satisfied") while a 1 records precisely the opposite ("poor," "very dissatisfied"). Let's consider an example: "How would you rate the overall quality of life in your city or county?" The 114 people polled in the city of Hampton responded with an average 2.63 score – closer to "good" than to "fair" in the middle of the scale. Since this factor is in Tier One (one of the items that residents told us they believed is most important to their lives), it was assigned a weight of six. Tier Two factors were assigned a weight of four and Tier Three factors were assigned a weight of three. Weighted scores for Hampton were aggregated for the 12 questions and then converted to a scale of 100 to make the QLI easier to interpret. Hampton's QLI is 50.10, which is higher than the regional average of 47.96.

GRAPH 19
HAMPTON ROADS QUALITY OF LIFE INDEX

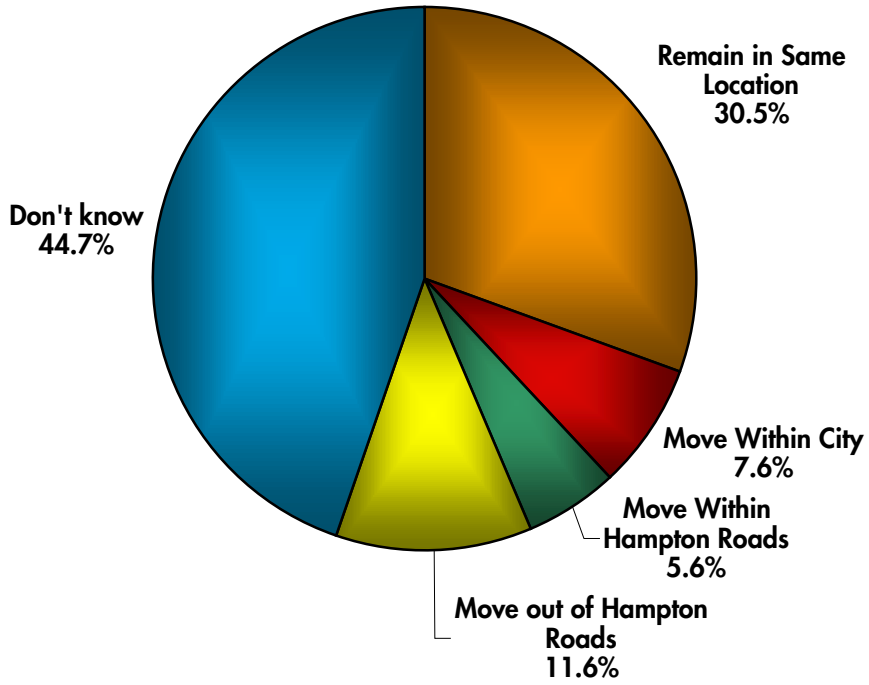


If You Had The Opportunity, Would You Move?

Ultimately, citizens can vote with their feet – they can move. Fully 44.5 percent of respondents report they would move if the opportunity arose, though about a third of those who say they would move indicated they would stay within the same city. More than one-fifth of the "movers" say they would move to another city within Hampton Roads. The remainder (about 47 percent of those who say they would move and about 21 percent of all those polled) would depart from the region.

Minority residents are much more likely to say they would move away from Hampton Roads. Thirty-seven percent of Asians/Asian Americans, 30 percent of Hispanics/Latinos and 26 percent of Blacks/African Americans say they would move away from the region if the opportunity arose. Only 18 percent of Whites/Caucasians offer this view. Once again, it is apparent that the White/Caucasian majority in Hampton Roads tends to see most issues more favorably than our minority citizens and this affects the latter group's willingness to consider a move to another region.

GRAPH 20
IF YOU HAD THE OPPORTUNITY, WOULD YOU...



These are interesting data in that large majorities of the survey respondents also rate the quality of their lives as excellent or good, and significant proportions of citizens believe their lives have improved over the past five years. Nonetheless, one in five citizens within the region would leave Hampton Roads if the appropriate opportunity presented itself, even though only 3.3 percent of all citizens believe the quality of their lives is poor.

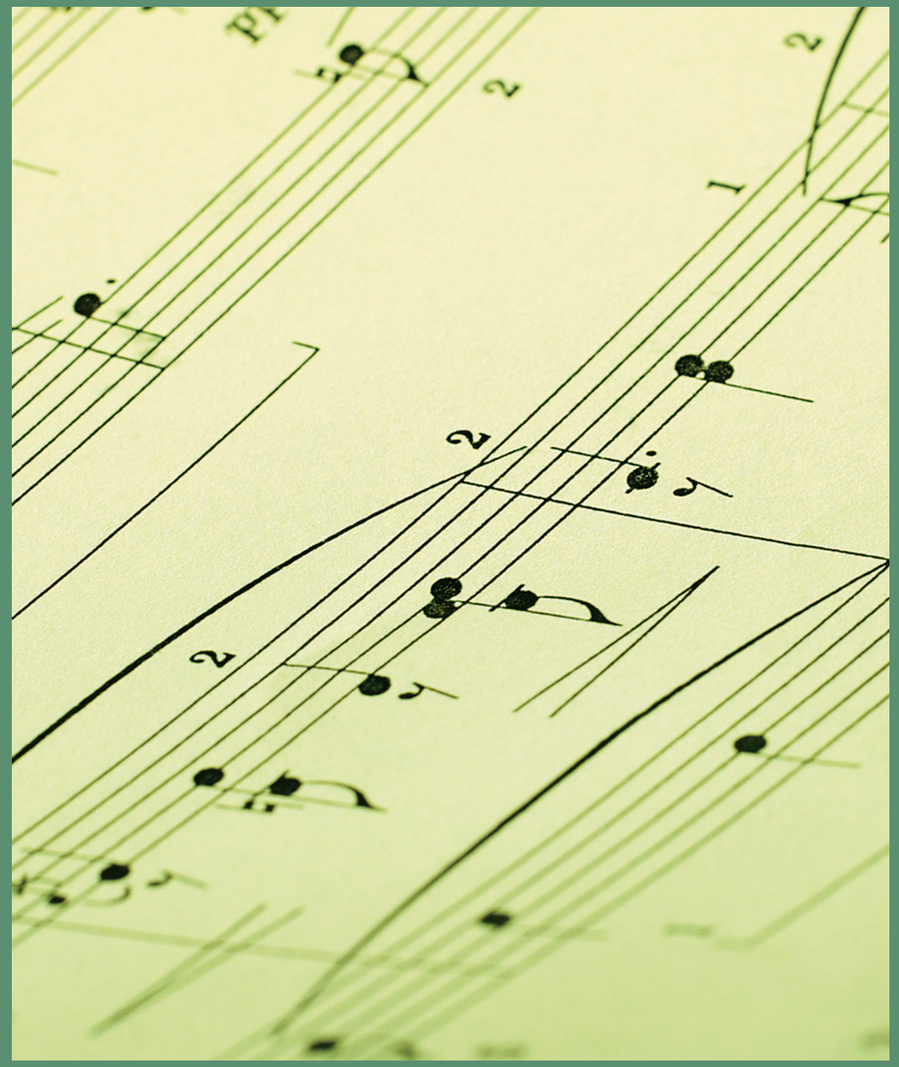
Perhaps we should not be surprised with this result, given the size of our international, port and military communities (whose members tend to exhibit higher mobility) and the flexible nature of the American economy. It is, however, an outcome that should be monitored closely, especially as it relates to the region's minority citizens. In a variety of ways, minority citizens are much more likely to perceive their Hampton Roads environment less favorably than majority Whites/Caucasians and ultimately are more likely to believe that the grass is greener elsewhere. To some extent, this "grass is greener on the other side of the fence" perception is based upon reality, as we demonstrated in the 2003 State of the Region report. There, we found that African Americans in Hampton Roads often do not fare as well economically as African Americans nationally, or African Americans in comparable Atlantic Coast metropolitan areas.

If the perceptions of Hampton Roads minority residents reflect an actual absence of opportunity, pernicious discrimination or unequal provision of public services, then they clearly indicate a set of problems of major magnitude. On the other hand, these perceptions may represent primarily a lack of knowledge and/or an absence of communication. If that is the case, this is still problematic, but a situation more easily addressed by our citizenry.

More Detailed Data And The Future

This State of the Region report would approximate the size of an encyclopedia if we were to publish all the data collected in our survey of the region's citizens. If you are interested in receiving more detailed data classified by city, race, gender and other variables, contact Joshua Behr at jbehr@odu.edu or James Koch at jkoch@odu.edu. Please specify precisely what data you wish to have.

It is our intention to poll the citizenry of Hampton Roads again in 2005 and ultimately to assemble a time series of responses, especially dealing with the QLI, so that we can measure the region's progress over time.



THE STATE OF

THE VIRGINIA SYMPHONY

ORCHESTRA

The Virginia Symphony Orchestra: The Valiant Struggles Of A Cultural Jewel

Music is edifying, for … it sets the soul in operation.

— John Cage, "Silence" (1961)

"Darwinism is at work, and American orchestras must adjust: to smaller dreams, fewer orchestras serving wider areas, fragmented listenerships, hopes for some kind of government help and, above all, a way of preserving the past, electronically if not by word of mouth."

— Bernard Holland, "How to Kill Orchestras" (The New York Times, June 29, 2003)

These are turbulent times for American orchestras. The San Antonio Symphony declared bankruptcy, as have the Louisville Symphony and the Florida Philharmonic. Symphonies in Colorado Springs, San Jose, Savannah and Tulsa have played their final notes. Salary freezes and salary cuts for orchestral musicians are a nationwide phenomenon and even the estimable Chicago Symphony Orchestra has encountered severe financial difficulties.

The Virginia Symphony: Some Background

The Virginia Symphony Orchestra, despite its long history, still might be viewed as an orchestra in the early stages of development. It was founded in 1920, interestingly the same period in which such orchestras as those in Baltimore, Cleveland, Los Angeles and Rochester (N.Y.) were formed. But it was not until 1979 that it took a decisive step by pulling together the region's musical resources, incorporating players from the Peninsula Symphony Orchestra, the Virginia Orchestra Group and the Virginia Beach Pops Symphony.

While the Richmond Symphony, founded in 1957, is the only other orchestra of similar size in the state, the Virginia Symphony Orchestra (VSO) serves the southeastern part of the state, from Williamsburg to Virginia Beach. In approximately 150 performances a year, the symphony brings a wide range of musical experiences to a total audience that numbered about 50,000 in the 2002-03 season.

The VSO's performance season focuses upon several series, each offering a distinctive style of music. The Classical Masterworks Series presents 11 programs yearly that include standard pieces from the orchestral repertoire, as well as new works and noted soloists. In recent years, such international stars as violinists Itzhak Perlman and Isaac Stern, pianist Andre Watts, flutist Sir James Galway, mezzo-soprano Marilyn Horne and percussionist Evelyn Glennie have given memorable performances in this series.

The annual Beethoven Festival, begun in 1997, moves the orchestra to Williamsburg for a long weekend in the late summer. Chamber music complements performances of this pivotal orchestral composer's works. The only downside is that, while this series may satisfy the thirst for Beethoven for some, it does not attract large audiences.

Several venues in Williamsburg, Newport News and Hampton are used in the Peninsula Treasures Series, which generally requires only the core members of the orchestra. This series offers an opportunity for symphony members to appear as soloists, and it also uses the Symphony Chorus in both smaller, infrequently performed pieces and larger, multimovement works such as settings of the Mass. This series, once known as "Mozart & More," has not been performed in Norfolk for several years. There is currently discussion of reintroducing concerts in Norfolk for small ensembles, probably in some of the restored venues downtown on Granby Street. And, on the Peninsula, the attractive new 500-seat hall at Christopher Newport University, the Ferguson Center for the Arts, will soon provide another excellent venue for the core orchestra.

There is a very strong audience in Hampton Roads for a light classical and pops repertoire, which is performed in a series supported by Norfolk Southern Corp. The most well-known featured performer in the current season was Glen Campbell, and conductor Rob Fisher has been a frequent guest.

Two series introduced in the 2003-04 season have brought the orchestra to new venues. The Spotlight Series has presented Al Jarreau, Kenny Rogers and k.d. lang with the symphony in Old Dominion University's Ted Constant Convocation Center, where the state-of-the-art seating configuration allows the creation of a 3,000- to 4,000-seat space for these concerts. The 700-seat hall in the Communication and Performing Arts Center at Regent University also has been used for classical programs, with some repetition of music from the Masterworks and Peninsula series.

The addition of these new venues not only addresses the goal of reaching new audiences, but also reflects the frustration the VSO experiences with its primary performing space, downtown Norfolk's Chrysler Hall. This 2,361-seat hall, while a little large for the audience that attends the symphony performances, is still the best location in the area for the Masterworks and Pops series. But Chrysler Hall, which rents both the main hall and rehearsal space to the VSO, is used by many other organizations and in recent years has appeared to downgrade the symphony's position in its priorities.

Members of the symphony play for productions of the Virginia Opera, which travels to both Richmond and Fairfax. The time commitment has varied as the opera season has been either expanded or shortened. However, in the 2003-04 season, the Richmond Symphony was used for one of the opera's productions, a practice that will continue in the next season.

The "core" VSO consists of 54 full-time musicians. For the Masterworks Series, as many as 25 additional players are regularly hired, even more when the repertoire dictates. Partly for financial reasons, almost all of these musicians supplement their income by teaching privately, teaching in the public schools, performing in chamber music groups, or doing administrative work for the symphony and other arts organizations. In the summer, which is outside the 42-week contract season, many of the musicians teach or play for festivals around the country.

Education, which is of critical importance for building both audience numbers and musical comprehension, is a thread through many of the symphony's programs. Specific projects include the Peanut Butter & Jam concert series for children and the master classes given by visiting soloists to high school and college students. Symphony 101 is a lecture/discussion series offered to the public. Probably the most direct educational efforts in this area are the talks given before the Masterworks concerts and the question-and-answer sessions held afterward. These are also important ways to develop a more personal relationship between performers and their audience.

Music Director JoAnn Falletta

A most important key to the artistic and financial success of any orchestra is its music director, whose artistic skill, temperament, reputation and wise judgment are crucial. The VSO's music director, JoAnn Falletta, has done more than any other single person to bring the larger orchestra, formed in 1979, to its current position as a regional orchestra of growing status. She is now completing her 12th season here, and the indications are that she plans to stay. Her fifth three-year contract with the symphony is now being negotiated. When she came to Hampton Roads in 1991, the symphony was going through a budget crisis that forced several changes to her plans for that season. Perhaps this prevented her from making extensive changes right away, but

that is not her style anyway. Instead, she has slowly built the orchestra's level of performance by choosing superior musicians to take positions as they have become available. Today, the orchestra's woodwind and percussion sections are particularly strong, and the brass performers are a close second, their only challenge being an inconsistency in performance quality. While the string section continues to improve, it still does not produce as full a sound as might be desired and, if there are intonation problems, they will most likely be found in the violin section.

At the same time that Falletta has worked to build this orchestra's strengths, she has taken on more challenges elsewhere. In 1998, she became music director of the Buffalo Philharmonic Orchestra, a larger organization with a much greater national reputation. In addition, she is firmly established on the guest conductor circuit, having led the orchestras of Philadelphia, Montreal, Houston and Rochester, as well as many others of similar stature. Internationally, she has conducted, among others, the Royal Philharmonic Orchestra (Belgium), the Singapore Symphony and the Czech National Symphony. She was the first woman to lead the Mannheim (Germany) Orchestra, which traces its history back to the time of Mozart.

It is interesting to survey the repertoire in concerts Falletta conducts elsewhere, knowing that she may have first learned a piece and conducted it in Norfolk. Indeed, when she has repeated a composition here after a period of several years, it has been quite apparent how much her interpretation has developed. She is taking what she has learned here to appearances around the world, and also bringing back the results of her out-of-town experiences. Her globetrotting benefits everyone with whom she works.

As Falletta's reputation has grown, she has taken the Virginia Symphony Orchestra with her to important debuts at Carnegie Hall (1997) and the Kennedy Center (2000). The Carnegie Hall concert included local and nationally known composer Adolphus Hailstork's Piano Concerto, which she premiered in her second season here. Another work that she premiered with the orchestra, Behzad Ranjbaran's Cello Concerto, composed in 1998-2000, is featured on the symphony's newest CD, "The American Cello," released by Albany Records in 2004. The 2003-04 season has included local premieres of music by Astor Piazzolla, Lowell Liebermann, Christopher Rouse, Anthony Iannaccone and Aaron Copland.

Falletta has won – eight times consecutively – the ASCAP (American Society of Composers, Authors and Publishers) award for creative programming. Individual concerts are generally organized around a theme that often compares composers of a particular country or region. Over a period of time, she has conducted here most of the orchestral works of two of her favorite composers, Gustav Mahler and Richard Strauss. Mixed-media productions have enriched the understanding of the orchestral works. Both Mendelssohn's "A Midsummer Night's Dream" and Prokofiev's "Romeo and Juliet" were performed within the context of the Shakespeare plays. Prokofiev's "Alexander Nevsky" accompanied a screening of Sergey Eisenstein's 1938 film. This season, Falletta programmed (but did not conduct) a similar pairing – Carl Dreyer's 1928 film, "The Passion of Joan of Arc," with Richard Einhorn's recent oratorio, "Voices of Light."

Falletta's dramatic flair enlivens the late Romantic Movement repertoire that she favors. It also gives depth to the neoclassical composers of the 20th century and is the means she uses to present more avant-garde music to a skeptical audience. While her interest in the emotional effect of music is quite apparent, it often seems that she is less comfortable with music that depends primarily on clear, formal explanation through performance. The classical period and early 19th-century composers, from Mozart to Mendelssohn and including the most significant, Beethoven, may not receive in-depth explanation through her interpretations. Even the music of Brahms, a later exponent of the classical tradition, tends to lose the power of the structural experience. As both she and the orchestra mature, a better understanding of this foundation of the orchestral repertoire will certainly grow.

When Falletta is away, the orchestra enjoys the contrasting styles of guest conductors. Associate Conductor Shizuo Kuwahara and Chorus Master Robert Shoup also provide consistent strong leadership in her absence. Both men have growing careers outside the symphony, Kuwahara as director of orchestral activities at American University, and Shoup as director of the Virginia Chorale and of choral activities at the Breckenridge Choral Festival.

The Symphony's Financial Travails

After almost a decade of financial deficits, and having accumulated a debt of approximately $2 million, the Virginia Symphony Orchestra ended its 2002-03 season with a balanced budget. A surplus of $25,000 was recorded out of an expenditure budget of $4.5 million.

By contrast, in the 2001-02 season, the VSO's revenues from all sources totaled $4,065,467, while its expenses were $4,345,125. Thus, it incurred a deficit of $279,658. The deficit reflected several factors, but especially an almost 20 percent decline in ticket sales between 1999 and 2001.

Two factors have been paramount in the symphony's recent financial turnaround. First, a strong attempt was made to hold expenses down wherever possible. Second, The Norfolk Foundation provided a "50 percent" challenge grant (a similar lifesaver to the one used by the New York Philharmonic). The grant stipulated that the foundation would "reward" the symphony for attracting new donors and convincing current donors to increase their contributions. The plan worked, bringing in 700 new donors. The campaign resulted in an increase in gifts of $200,000 (a 30 percent jump over the previous year), and The Norfolk Foundation matched this with $100,000. This resulted in a $300,000 increase in the VSO's income for the year. Table 1 reveals that private individuals dominated gifts to the symphony in 2002-03.

TABLE 1

GIFTS TO THE VIRGINIA SYMPHONY ORCHESTRA, 2002-03

Corporations (Including $167,500 from the Business Consortium for Arts Support)	$588,000
Individuals	$1,072,000

The VSO's 2003-04 budget is $4.7 million, a modest increase over the previous year. Executive Director John Morison, an indefatigable fund-raiser and exponent for the symphony, has stated that he expects this year's budget once again will be balanced. Several measures have been taken to hold down expenses. For example, when one office staff member resigned, that position was not filled. Print advertising was reduced substantially in the early part of 2004. To the public, the most apparent change was the replacement in the late February Masterworks concerts of Igor Stravinsky's "The Rite of Spring" – which requires an unusually large number of extra musicians, plus extra rehearsal time because of its difficulty – with a relatively uncomplicated piece by Dvorak.

Even so, the VSO does not yet reside on Easy Street, for it has an accumulated debt of $2 million that must be addressed in the coming years. The plan is to generate surpluses in the coming years to pay off this debt. Realistically, however, this would take several decades at the current rate of progress, if indeed it can be sustained. There is talk of a capital campaign, maybe in three years, one purpose of which would be debt reduction.

For the 2003-04 season, subscriptions increased dramatically – 14 percent, though this generated only a 4 percent increase in revenue – primarily because of the Peanut Butter & Jam and Regent University series. In 2002-03, approximately 50,000 tickets were sold for all series, of which 22,000 were sold for the Masterworks series. In contrast to subscriptions, single-ticket sales have been at the same level for several years. This year, significantly low attendance at three events just after Hurricane Isabel was offset by the additional tickets sold for the James Galway concert.

TICKET PRICES

Ticket prices were increased 3 percent to 5 percent for 2003-04. Nevertheless, by urban symphony standards, the Virginia Symphony Orchestra remains an entertainment bargain. Table 2 reports the VSO's ticket prices.

TABLE 2

2003-04 VSO TICKET PRICE RANGES

Concert Series	Prices	Price Per Concert
Full Masterworks Series (11 concerts)	$129 - $549	$11.73 - $49.91
Masterworks Mini Series (5 concerts)	$86 - $291	$17.20 - $58.20
Pops Series (5 concerts)	$89 - $329	$17.80 - $65.80
Peninsula Treasures Series (6 concerts)	$47 - $91	$ 7.83 - $14.17
Peanut Butter & Jam (4 concerts)	$45 - $73	$11.25 - $18.25

The 2003-04 price range for single tickets to the Masterworks series was $19 - $70. By comparison, the Richmond Symphony's range for its Masterworks series single tickets was $25 - $65. Subscriptions to this Richmond series of eight concerts ranged from $156 - $435 (cost-per-concert range of $19.50 - $54.38). With fewer concerts in the series, the Richmond price per concert was forced substantially higher than in Hampton Roads.

Volunteer work is of huge importance for any orchestra, and the Virginia Symphony Orchestra estimates that 200 people have donated their time this year. Jobs have included helping in the office, ushering for concerts and fund raising by telephone. The Virginia Symphony League provides important support through educational programs and housing of guest artists. Money is raised through sales at the league's boutique and its car raffle.

MUSICIANS' SALARIES

A major expense of any orchestra is the salaries it pays the musicians. The current contract between the Virginia Symphony Orchestra and its musicians is a three-year pact that will terminate in mid-2005. VSO musicians played without a contract during the 2002-03 season while the current contract was being negotiated. An agreement between musicians and management to continue negotiations kept the orchestra playing through the fall of 2003. Finally, the contract was approved in January/February of 2004. For a 41-week season, the 54 core musicians have rehearsals and performances that ordinarily require an average of 17.5 hours per week. It is expected that additional time will be spent individually to prepare all music to performance level. A recent advertisement for the vacant fourth-horn position (one of the core/salaried positions) in the 2004-05 season stated a salary of $23,486. If the musician who fills this position spends 30 hours per week with her music, she will earn about $19 per hour, which is substantially more than the minimum wage, but dramatically below the rates charged by other professionals such as attorneys.

The new VSO employment contract includes three types of employee insurance – health, disability and instrument – and a pension plan. Position announcements for additional (non-core) string players in the coming season advertise a per-service rate of $85.66. By comparison, the Richmond Symphony currently advertises a non-core violin position with a pay rate of $94.86 per service. (A "service" is either a three-hour rehearsal or a concert performance. In hourly terms, the Virginia Symphony Orchestra pays $28.55, but, of course, there is the expectation of practice time outside rehearsal and hence the actual wage rate is only a fraction of this.

Maestro Falletta's "other orchestra," the Buffalo Philharmonic, currently has a second-oboe opening that pays $41,000 for a 39-week season. Obviously, the Virginia Symphony Orchestra is not at that level in many ways. Within the Commonwealth, however, the "per-service" pay difference with Richmond is a significant indication that the VSO lags financially. This explains why some VSO musicians held out for better offers during the long negotiation process for the current contract. However, given the precarious debt position of the symphony, they may have been hoping to squeeze blood from a turnip.

ENDOWED SYMPHONY POSITIONS

Thirteen positions in the orchestra, including the first chair for almost every instrument, have been endowed in the names of past musicians or major donors. With market fluctuations, these endowments provide a variable proportion of the musicians' salaries, but are of significant help to the overall budget.

The work of the VSO and the three conductors on staff is supported by the management team (administration, development, finance and marketing) of 18 full-time and four part-time employees. John Morison, retired after 26 years as president and CEO of WHRO, has successfully led the symphony to two seasons of economic stability, following the sudden resignation of David Gaylin. An extensive national search resulted in the announcement this March of the selection of Carla Johnson to take over as executive director in June. For the last nine years, she has held several positions with the St. Louis Symphony Orchestra, rising to vice president and general manager. That orchestra went from a budget crisis to renewed stability between 2003 and 2004, and Johnson's experience in that turnaround should be helpful to the VSO.

Ranking The Virginia Symphony Orchestra

Evaluating and ranking symphony orchestras is a notoriously difficult task. Some would argue it is primarily a subjective endeavor, though the musical consensus of experts suggests there is more uniformity to evaluation than some might believe. Where does the Virginia Symphony Orchestra stand in comparison with the rest of the nation? Some indicators have already been mentioned. Musical America, a periodical resource serving the performing arts industry, groups orchestras by annual budget, among other things. It identifies nearly 25 with budgets of more than $10 million. This group includes the country's top five – Boston, Chicago, New York, Philadelphia and Cleveland – and a secondary group that includes Baltimore, Buffalo, Atlanta, San Francisco, St. Louis, Pittsburgh and Los Angeles. These orchestras attract the top players and are able to hire larger full-time string sections, an important factor in obtaining a higher level of performance.

The next group of orchestras has budgets between $3.6 million and $10 million. The Virginia Symphony Orchestra (current annual budget, $4.7 million) is in the bottom half of this cluster, which includes the orchestras in Richmond, Syracuse, Toledo and Honolulu (the latter having a budget of $6.4 million and about $1 million in accumulated debt), as well as the North Carolina Symphony, which serves the eastern half of the state. There are many more orchestras in the categories with budgets below $3.6 million.

Compared to many Eastern symphony orchestras, the VSO is a young whippersnapper, because it is only 25 years old as a unified regional entity. As it matures, many of its musicians and, indeed, its conductors, will mature in terms of depth and consistency of performance.

Morison believes the VSO has reached a level of quality to be included in the top 20 in the nation. Of its performance at Carnegie Hall in April 1997, The New York Times commented, "The remarkable performance by the Virginia Symphony Tuesday night at Carnegie Hall … was energetic, committed and finely polished." Of its performance at Washington, D.C.'s, Kennedy Center, The Washington Post said, "If the members' work was any indication of their usual standards, this is a fine ensemble." The group also performed on National Public Radio and has finished recording its seventh compact disc.

In August 2000, the Virginia Symphony Orchestra was accepted into the International Conference of Symphony and Opera Musicians. This honor officially inducted the group into the "major league" of symphony orchestras, alongside such well-known groups as the New York Philharmonic Orchestra and the Boston Symphony. No other fine and performing arts group in the region has attained a comparable distinction.

Perhaps the financial foundation for maintaining and extending this excellence will materialize. One can only hope that Morison's excellent "just in time" leadership will be followed by a new director who will further strengthen the orchestra's finances. The major impediment to this ultimately may not be the quality of the VSO, but rather the relatively narrow appeal of the symphony to the region's diverse population, an issue we consider in the next section.

Subsidies For The Rich?

In the minds of many Hampton Roads residents, the Virginia Symphony Orchestra is a Norfolk symphony. The symphony argues that it serves the entire region, but the residents of Virginia Beach and the Peninsula in particular have not always warmed to this assertion and support orchestras that compete at some level with the VSO. Further, the clientele of the symphony is predominantly Caucasian and has been growing older. Some observers believe that public support of the VSO represents a subsidy from all citizens to wealthy individuals who should pay their own way. The VSO's supporters, however, argue that public subsidies also support numerous popular-music events at venues such as Town Point Park, Queen's Way, the Hampton Coliseum, the oceanfront and Ntelos Pavilion.

On occasion, then, the financial support for the VSO has become entangled in economic class and racial considerations in addition to "this section of the city versus that section of the city," according to a Norfolk civic leader. Further, while the symphony is a regional entity and performs consistently from Williamsburg to Virginia Beach, it is nonetheless seen as a "Norfolk thing" in the eyes of many.

Viewed historically, the Virginia Symphony Orchestra has attempted to imitate the traditional role of European orchestras, most of which have long received healthy public subsidies. In Europe, orchestras often became a city's most important musical institution, not only offering concerts, but also playing for operas, dividing into small groups for chamber music, and passing on skills through teaching at universities and the growing number of music conservatories. In Europe, symphonies are an object of civic pride and there has been relatively little argument about the public subsidies that support them, whether the government was democratic or communist. Great cities have great symphony orchestras, some argue, and they cite Professor Richard Florida's recent research ("The Rise of the Creative Class," 2002) on why some cities and regions prosper, while others do not, as support for their views.

Florida, who holds a professorship at Pittsburgh's Carnegie-Mellon University, asserts that four things usually determine the quality of life of a particular city or region:

1. Lifestyles, including support and tolerance for the unconventional;

2. Environmental quality;

3. Vibrant music and arts scenes; and

4. Natural and outdoor amenities.

He goes on to provide empirical evidence that cities and regions that have this elusive "quality of life" grow more rapidly and are more prosperous. Symphony supporters nationally have seized on this evidence to justify the expansion of public subsidies for a variety of quality-of-life initiatives, including music.

The question of public subsidies for music and the arts has never been dealt with in the United States in the same way as it has in Europe. Without question, government support for music and the arts in the United States is less than that in Europe. Consequently, American orchestras always have looked to grants from businesses and gifts from individuals to balance their budgets. This generalization also has applied to Hampton Roads, where corporate benefactors such as Norfolk Southern have been generous supporters of the fine and performing arts.

However, some community leaders believe that virtually any public subsidy of the Virginia Symphony Orchestra is inappropriate because of what they perceive to be the relatively narrow nature of the symphony's support base. "The majority of my voters couldn't care less whether the symphony lives or dies," commented an acerbic elected official. "What they're interested in is their next meal and how they are going to get to work, and if they can keep their job." This official sees no justification for public subsidies of the VSO and believes that symphony patrons "should get out their checkbooks and support it if they really want it."

The Economic Importance Of The Arts In Hampton Roads

The arts act as both a direct and indirect contributor to any region's economy. According to the U.S. government's Bureau of Economic Analysis, in 1998 consumers spent $9.4 billion on admissions to performing arts events. This was $2.6 billion more than expenditures on movie admissions and $1.8 billion more than was spent on spectator sports. Between 1993 and 1998, consumers increased their spending on performing arts events by 16 percent, or by $1.2 billion. Nonprofit arts entities employ 1.3 million people full time. Arts activities generate $790 million in annual revenue for local governments, $1.2 billion for state governments and $3.4 billion for the federal government. In Virginia, the arts supported (in 2001) 18,850 full- and part-time jobs, contributed $849 million in revenue for state businesses and generated $307 million in value-added income for the work force. Virginians for the Arts reports that Hampton Roads is a leader in this regard and was responsible for more than 56 percent of paid admissions by out-of-state tourists attending arts and cultural events in Virginia in 2000.

Festival music events, most of which offer live music, including performances by the VSO, are attractive to many in the Hampton Roads area and attract tourists as well. A study of the 1999 Virginia Arts Festival conducted by Old Dominion University economists Vinod Agarwal and Gilbert Yochum found its direct and indirect economic impact to approximate $6 million. More than 85 percent of the festival's spectators were Hampton Roads residents and more than 90 percent said they were likely to return.

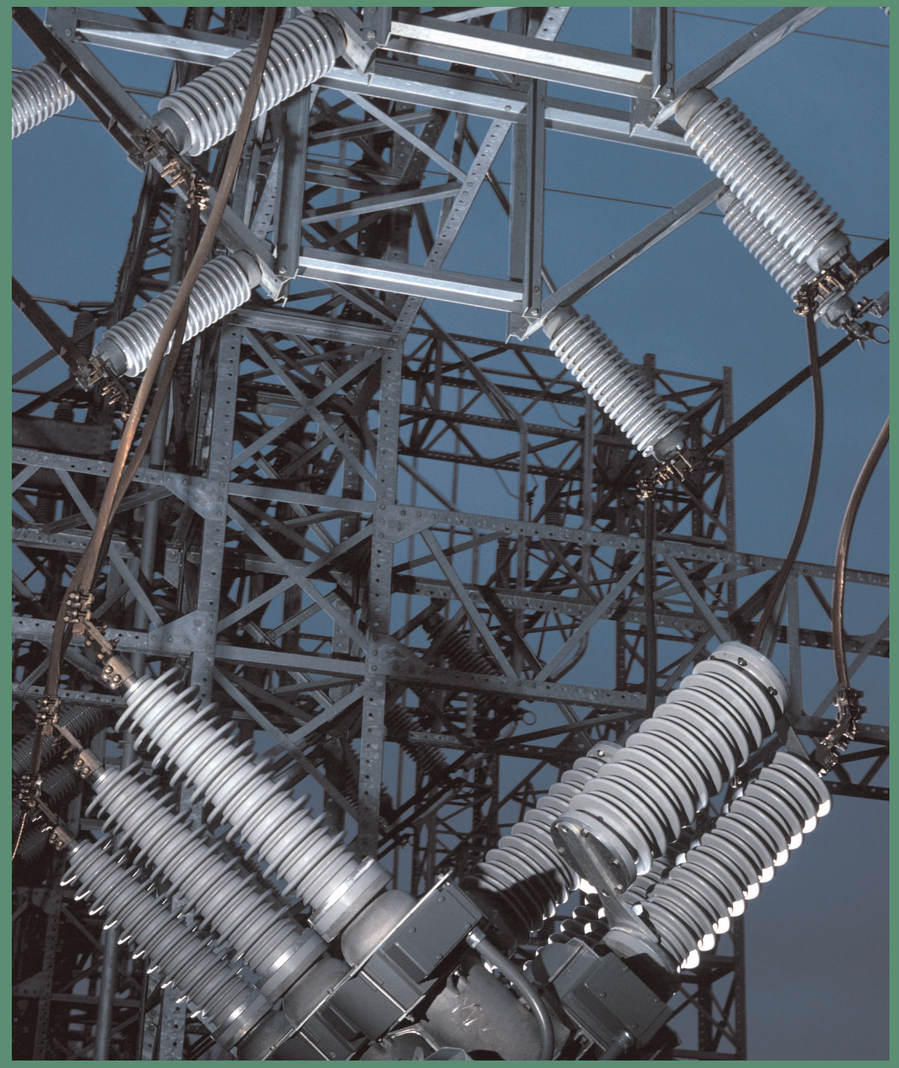
Supporters of the Virginia Symphony Orchestra, armed with these data, assert that they provide justification for an increase in public subsidies to the VSO. The public, they argue, likes the symphony. Hence, they believe there is no reason why the region should support minor league baseball teams, circuses, jazz performances and even tractor pulls, but exclude the Virginia Symphony Orchestra.

Final Thoughts

Nationally, most symphony orchestras have suffered in recent years from declining attendance, increasing fund-raising difficulties, rising costs and the perception by some that they are elitist institutions out of touch with contemporary musical tastes and an increasingly diverse American populace. These factors have made the financial positions of many symphonies rather precarious. "If you have the potential to help us and be a hero, then call us," Florida Philharmonic Orchestra Executive Director Trey Devey pleaded. His sentiment could well apply to Hampton Roads and the Virginia Symphony Orchestra.

The VSO is an orchestra of high quality with a talented music director in JoAnn Falletta. Given the size of Hampton Roads and the region's sometimes divisive nature, the Virginia Symphony Orchestra has done well, perhaps remarkably so. It compares very favorably to the Richmond Symphony and other mid-tier orchestras with annual budgets in the $4 million to $8 million range. Yet, this cultural gem has an accumulated debt of approximately $2 million, and prospects for eliminating that debt within the decade are not good, absent an angel of financial mercy. The VSO also must perform in Chrysler Hall, whose acoustical qualities are problematic.

Ultimately, the symphony will rise and fall on its ability to attract younger and ethnically more diverse individuals to its concerts and on the generosity of its donors. Whether it can succeed in this circumstance, or whether any similarly situated symphony nationally can do so, is not clear.



THE STATE OF

ELECTRICITY DEREGULATION

Electricity Deregulation: What Impact Will It Have On Hampton Roads?

No matter how many times you flick the switch, lights don't work without electricity.

"Lessons from Izzy," Anonymous (The Virginian-Pilot, Oct. 6, 2003)

Virginia is on the verge of deregulating its electrical generation, transmission and distribution industries. The 1999 Virginia Electric Utility Restructuring Act delineated rules to be followed in the deregulation and established a schedule (since delayed) for it to occur. Supporters of the Act point to evidence that electricity rates often have fallen in states that have deregulated. They assert that deregulation achieves lower costs by increasing competition and providing consumers with a choice of suppliers. They also cite the successful deregulation of industries such as airlines and telecommunications as evidence of what could happen with electricity deregulation.

Opponents of deregulation believe it is foolish to reduce supervision of a monopolist and point to chicanery in partially deregulated electricity markets such as California as evidence that electricity is one utility where competition simply will not work well. They also note that the prospect of electricity deregulation in Virginia has not attracted new competitive suppliers, a necessity if deregulation is to work as advertised.

What about Hampton Roads, where the only electricity supplier of consequence is Dominion Virginia Power? How would the 1.6 million residents of our region be impacted by electricity deregulation? Would we be better off if and when deregulation actually occurs? As we shall see, the answers to these questions are not clear.

How Well Has Deregulation Worked In Other Industries?

If one knew nothing at all about electricity deregulation, then the experience of deregulation in other industries would be the primary means by which we would infer the probable effects of electricity deregulation upon Hampton Roads. The 1980s and 1990s saw a wave of deregulatory actions sweep the United States. A variety of industries, including natural gas production, airlines, telecommunications and aspects of banking (especially savings and loan associations), were deregulated, wholly or partially. What do these experiences have to tell us about how electricity deregulation might work in Virginia?

Is the typical consumer better off as a result of the deregulation of these industries? The answer is a clear "yes" where airlines and telecommunications are concerned. Adjusted for inflation, the price of air travel now is much less expensive than it used to be and more travel options are available. In the case of telecommunications, long-distance telephone rates have fallen dramatically and new developments such as cellular technology have made phone services better than prior to deregulation.

The impact of deregulation is not so clear, however, if we focus on what happened in the natural gas industry and among savings and loan associations. Let's consider natural gas first. When natural gas was deregulated in 1978, regulators created an artificial distinction between "new" natural gas – gas discovered after deregulation – and "old" natural gas – that which was discovered prior to deregulation. The purpose was to protect firms that had discovered natural gas, but now might well find the value of their gas inventories greatly reduced if deregulation would lower prices. Thus, they would not be able to recapture the costs of their investments.

Analytically, a similar situation exists in electricity, where most firms argue they have "stranded costs" that must be taken into account as deregulation occurs. Utilities that have made substantial capital investments are concerned that they will not be able to recapture the costs of these investments after electricity deregulation occurs. They believe deregulation will depress prices to a level that will not provide reimbursement for their investments in plant and equipment.

Stranded Costs refer to expenditures regulated firms have made that they fear will not be recoverable when they move to a deregulated environment. The critical question is whether the Commonwealth will compensate regulated firms for these costs when deregulation occurs. This is one of several major deregulation issues that has yet to be resolved.

The deregulation of savings and loan associations (S&Ls) produced interesting and, in some cases, tragic behavior. Regulators quickly deregulated interest rates and allowed these thrift institutions to pay any amount they desired to attract deposits. At first, this was very attractive to savers, not the least because the federal government insured funds deposited at S&Ls up to $100,000 per account. Knowing their actions were "covered" by the federal government, some S&Ls began to pay high interest rates in order to attract funds, which they then used to make speculative investments, often in real estate. The result was imprudent behavior that ultimately led to a large federal bailout and forced restructuring of the thrift industry in the wake of several large S&L failures.

A Primer On Electricity Markets And Deregulation

There are three distinct segments in markets for electricity: generation, transmission and distribution. Electricity is generated by burning coal, gas or oil, or by a combination of these, or by utilizing nuclear energy. However generated, electricity is difficult to store and therefore the demand for it is highly variable because of weather conditions and natural disasters. This often means there can be large swings in electricity prices because market power may rest with a few firms that have the excess supply or the available production capacity to meet periodic peak demands. Since there are no close substitutes for electricity, in the short-run even substantial increases in electricity prices will not influence consumers or suppliers very much. The bottom line is that electricity generation, transmission and distribution are not markets that behave in the fashion of air travel or telecommunications, where deregulation has proven quite successful.

The most important motivation for the original regulation of the electricity industry was a desire to create competition and eliminate the "natural monopoly" status of most firms in these markets. A natural monopoly exists when it would not be economically efficient for more than a single firm to supply a good or service. Usually, this means that this firm's average costs of production fall significantly as it expands its output so that the larger it becomes, the more cost-efficient it becomes. The upshot is that it is then more efficient for one firm to provide all the output because the same output shared between two firms would be more expensive to produce and supply. Intuitively, we understand that it would not be efficient to have five different electrical distribution systems serving Hampton Roads. Imagine the duplicative profusion of wires, poles and generators (and expense) this would require.

Many believe the supply of electricity reflects natural monopoly characteristics. Thus, they contend that ordinarily only one firm should supply electricity in a given location. It is this monopoly that regulators usually attempt to control, often by setting electricity prices and regulating rates of profit.

But what is the appropriate price for electricity? And how much profit should an electricity firm be permitted to earn? These may seem like straightforward questions, but they are not. Consider attempts to regulate a firm's profit rate. Profit rate on what? Usually, regulators attempt to control an electrical utility's rate of profit on the capital that it invested in order to generate, transmit and distribute its electricity. However, who determines what those investments are worth and how they are depreciated? And, might not a utility deliberately over-invest in plant and equipment so that it can justify higher prices and profits?

When a regulatory body determines what prices electricity firms can charge, should it force some consumers to subsidize other consumers (perhaps low-income or elderly citizens) at the expense of others? What if some consumers use most of their electricity at 2 a.m., for example? Should they pay the same price per kilowatt-hour as consumers who use their

electricity at peak-use times when the temperature is 100 degrees? We pose these questions so the reader will understand that regulating the electricity industry is a far more complex proposition than it might first appear.

Evidence From The States

Table 1 reports that 19 states have been active in the deregulation of electricity. Coal is the most common production fuel for electricity nationally and it is the dominant energy source in Virginia. Natural gas (which is extremely cost-efficient), nuclear power, water, dual-firing (using two different technologies, typically coal and natural gas) and petroleum are used less frequently. Virginia obtains slightly more than half of its electrical power from burning coal, but increasingly is relying upon natural gas.

Who produces this electricity? In Virginia, public utilities produced about 84 percent of all electricity in 2002. At the other end of the spectrum, public utilities produce less than 10 percent of the electricity in states such as Connecticut, Delaware, Maine, Maryland, New Jersey and Rhode Island, and the District of Columbia. Many of these states began the process of deregulating electricity production in the mid-1990s, perhaps because they believed they had the most to gain.

What has happened to electricity prices in the states where electricity regulation has occurred? Table 2 reports electricity prices per kilowatt-hour in 2002. In general, states that regulate electricity offer the lowest electricity prices, though this crude analysis does not account for the state's location, the availability of various fuels, the quality of service or what has been happening to electricity prices since deregulation began. For example, Paul Joskow ("Electricity Deregulation: Where from Here," 2003) compared electricity prices in the pre-deregulation year of 1995 and the post-deregulation year of 2002. He found significant declines in the residential retail electricity prices in deregulated New Jersey (about 14 percent) and deregulated Illinois (about 18 percent), with smaller declines in deregulated Massachusetts, Maine, New York, Pennsylvania and Ohio. Over the same time period, prices rose slightly in the United States as a whole. Only in California and Texas were the post-deregulation prices greater than the pre-deregulation prices. Thus, we have a mixed verdict. Regulated states often offer the lowest electricity prices; however, when deregulation does occur, it often reduces prices, or at least diminishes their rate of increase.

Nonetheless, of the states actively involved in deregulation, Virginia currently offers the lowest average electricity prices. The Commonwealth's average electricity price is below the national average and Virginia ranks 30th among the states in terms of electricity prices per kilowatt-hour. Hence, while Virginia might well gain from electricity deregulation, its potential gains are much less than those of some other states.

The California Episode

In 2002-03, partial electricity deregulation resulted in some severe market distortions and rolling brownouts that cost both California and electricity customers many billions of dollars. This experience continues to exert a major influence on electricity deregulation in Virginia.

Increased consumer demand in California forced suppliers to resort to external markets to purchase the electricity necessary to meet it. The prices they were forced to pay were dramatically higher in some instances. Further, the California electricity suppliers were not allowed to engage in significant "peak load" pricing that would have charged consumers higher prices for using electricity during high-demand periods and lower prices other times. Such a pricing policy would have encouraged consumers to diminish their use of electricity and/or change the time pattern of their usage.

This was a "perfect storm" in electricity pricing. California suppliers faced increased demand, but could not adjust their prices to deal with it. That is, while the market was partially deregulated, prices to consumers were not.

What lessons can we draw from this? First, partial deregulation of a monopoly often is a bad idea. It is bad policy to deregulate the supply side of a firm, but not the demand side, or vice versa. Market manipulation can still occur and it did in California. Second, charging all electricity consumers the same price, regardless of how, when and where they consume that electricity, may be politically attractive, but is economic nonsense and leads to problems.

Who Might Gain The Most From Deregulation?

Matthew White, in a study published in the "Brookings Papers on Economic Activity" in 1996, provided an interesting analysis of how much various states would likely gain from the deregulation of the production of electricity. White estimated what economists label "consumer's surplus." Consumer's surplus is what individuals are willing to pay for a product over and above the actual price that is paid. For example, if one is willing to pay 12 cents for a kilowatt-hour of electricity but is required to pay only 8 cents, the consumer's surplus for that kilowatt-hour of electricity is 4 cents. The greater the consumer's surplus, the better off financially consumers are. If deregulation diminishes prices, then it increases consumer's surplus.

Table 2 presents White's consumer's surplus calculations for the states that have been active in electricity production restructuring. In order to provide some context for these numbers, we provide the decile (10th) for each state. For example, a 2 represents the 20th decile and indicates that at least 80 percent of states have a lower consumer's surplus estimate. Thus, the lower the decile number, the more a state has to gain.

White's estimates closely track the states that have been active in electricity restructuring. In general, those with the most to gain have pursued electricity deregulation most vigorously. White's estimates reveal that Virginia clearly would benefit from the deregulation of the production of electricity, though not to the same degree as larger Northeastern states where electricity prices are much higher. This reflects the fact that electricity prices are not especially high in Virginia.

The Confused Deregulation Process In Virginia

The Virginia Electric Utility Restructuring Act was passed by the General Assembly in 1999. It appeared to include a schedule for deregulation that would have resulted in significant deregulation of electricity rates in 2006-07. However, subsequent legislative action slowed this deregulation process and maintained the current regulatory caps on electricity rates until 2010, an extension of 3 1/2 years. The General Assembly seems to be having second thoughts about the benefits of electricity deregulation and is not ready to eliminate electricity price controls.

Kenneth Rose, in a 2003 study for the General Assembly, provided a detailed evaluation of the current status of the Commonwealth's deregulation of electricity. An economist with the National Regulatory Research Institute, Rose found little interest from outside firms that might enter the Virginia market and competitively supply new electricity. This is a problematic result insofar as deregulation is concerned because one of the important benefits of deregulation is the appearance of new suppliers to provide consumers with choice.

Rose's report did nothing to reduce the fears of some legislators that a California-like situation could emerge in Virginia and that the large electric utilities are controlling the process of deregulation to further their own interests.

Consumers, however, have been far from united in terms of their reactions to electricity deregulation. Some large consumers of electricity (such as Smithfield Foods) and the Commonwealth's dominant producer of electricity (Dominion Virginia Power, which supplies almost 68 percent of Virginia's electricity and virtually 100 percent in Hampton Roads) have strongly supported deregulation. However, other significant consumers of electricity, including nonprofit cooperatives and large customers such as Sentara Norfolk General Hospital and Ford Motor Co., have argued that deregulation efforts should be stopped. Indeed, these customers, plus several groups that purport to represent the interests of consumers in general, not only oppose deregulation, but also are opposed to extending electricity rate caps. They believe suppliers such as Dominion Virginia Power currently are allowed to earn a rate of return that is too high. Suffice it to say that Virginia electricity consumers have not been speaking with one voice.

Even while these discussions have been occurring, there is evidence that Virginia's electricity production capacity has been increasing. Between 1998 and 2003, eight new power plants began operation in Virginia. The three largest are associated with Dominion Virginia Power. Two other plants are under construction and the State Corporation Commission has approved four others. Of these 14 new production facilities, all but one are fueled by cost-efficient natural gas. This suggests that Virginia's traditional reliance upon coal to generate electricity is going to decline.

Virginia At A Crossroads

Virginia stands at a crossroads in the deregulation of electricity. It began to move toward electricity deregulation in the 1990s, but has shied away from taking the final steps in that direction. Nationally, those states that have benefited from deregulation have done so because they have been able to attract additional independent suppliers of electricity. That is, deregulation has increased competition and consumer choice. Thus far, this has not happened in Virginia, though it's also fair to note that deregulation hasn't actually occurred yet. Those states that have benefited from deregulation also have been able to develop regional transmission and supply networks to buffer themselves from the types of supply-and-demand fluctuations that occurred in California. Once again, this has not yet happened in Virginia. This development would appear to be less dependent upon deregulation, per se.

There is some good news, however. The prospect of deregulation appears to be primarily responsible for an increased investment in production facilities by firms such as Dominion Virginia Power. Nearly all of these new facilities are fired by lower-cost natural gas, which should translate into lower prices for electricity, whether or not deregulation occurs.

Is Virginia really going to take the plunge and deregulate electricity, or not? No one really knows, since this is, in part, a political issue. One thing is certain, however: **The deregulatory fever that pervaded the General Assembly in the 1990s has dissipated. Many legislators, perhaps a majority, have become "mugwumps" who now neatly attempt to straddle contradictory positions on deregulation, sometimes depending upon their audience. This is a recipe for the status quo, which means talking about deregulation, but not actually carrying it out.**

TABLE 1

CHARACTERISTICS OF POWER GENERATION IN STATES ACTIVE IN ELECTRICITY DEREGULATION

State	2002 Average Price per kWh	Primary Energy Source	Primary Energy Share of Total	Utility Production Share 2002	Change in Utility Share: 1996-2002
California	12.5	Gas	44.7	40.5	-24.4
Illinois	6.97	Coal	35.0	9.1	-87.9
New Jersey	9.31	Dual-fired	33.7	2.5	-54.4
New York	11.29	Dual-fired	39.5	31.1	-45.7
Texas	6.62	Gas	50.9	38.8	-49.5
Pennsylvania	8.01	Coal	55.7	14.9	-76.7
Michigan	6.92	Coal	56.6	85.2	1.5
Massachusetts	10.18	Dual-fired	27.6	2.8	-72.6
Connecticut	9.73	Nuclear	47.6	0.1	-74.7
Ohio	6.66	Coal	72.1	95.1	-3.8
Virginia	6.23	Coal	50.8	83.8	-2.3
Maine	11.36	Gas	31.6	0	-31.2
Rhode Island	9.19	Gas	42.8	0.2	-46.0
New Hampshire	10.49	Nuclear	33.9	77.0	-12.8
Arizona	7.21	Coal	27.8	86.8	-12.2
District of Columbia	7.37	Petroleum	100.0	0	-100.0
Delaware	7.05	Coal	31.0	2.8	-91.1
Maryland	6.21	Coal	41.3	0.1	-95.4
Oregon	6.32	Hydro	72.8	84.4	-8.2

Source: Energy Information Administration/State Electricity Profiles 2002

TABLE 2

POTENTIAL STATE GAINS FROM DEREGULATION

State	Gain in Consumer Surplus[1]	Consumer Surplus Gain Decile	Investment in Gas-fired Technology[2]	Percentage Change in Natural Gas
New Jersey	$1,688	1	1,097	-12.5
Pennsylvania	1,275	2	284	-7.0
Virginia	349	3	471	366.1
District of Columbia	150	5	NM	NM
Delaware	8	6	52	113.4
Maryland	35	6	54	-38.7
North Carolina	464	3	191	NM
South Carolina	2	7	26	-40.6
West Virginia	0	9/10	24	91.4
Kentucky	0	9/10	NM	NM

[1]In millions of dollars, calculated with an entry-inducing price of 3.5 cents per kilowatt-hour from Matthew W. White, 1996, "Power Struggles: Explaining Deregulatory Reforms in Electricity Markets," Brookings Papers on Economic Activity, pp. 201-250.

[2]In thousands of megawatt hours, from Electric Power Monthly, Table 1.9,

www.eia.doe/cneaf/electricity/epm/table1-9-1.html.

NM – not measurable because of small use of natural gas

JEION WARD

LIONEL SPRUILL, SR

YVONNE B. MILLER

THE STATE OF AFRICAN AMERICAN LEGISLATORS

The Role And Influence Of African American Legislators From Hampton Roads

Hampton Roads is home to approximately 1.57 million people, of whom roughly one-third (498,132) are African Americans (see Graph 1). Since the 1960s, the influence and power of these residents has increased dramatically and nowhere is this more evident than in the region's legislative delegation in Richmond. Hampton Roads now boasts eight African American legislators (five in the House of Delegates and three members in the Senate) out of a total of 16 African American state legislators. By comparison, in the late 1970s, only two African American legislators represented Hampton Roads, both in the House of Delegates: the fabled William P. Robinson Sr. and a relative newcomer, Robert C. "Bobby" Scott. Scott, who would later become a prominent member of the State Senate, is currently a U.S. congressman representing a sizable portion of Hampton Roads. Virginia's first post-Reconstruction African American legislator was Richmond's William F. "Fergie" Reid, who was elected in 1967 and served for three terms.

Interestingly, the largest number of African American state legislators Virginia has ever had is 27 (21 delegates, six senators). However, this little-recognized achievement occurred during the Reconstruction period after the Civil War and hence is regarded by many as a historical curiosity.

How has the power of African American legislators increased over the years? What roles have they played recently? How effective have they been? These are among the topics we consider in this chapter.

Some History

Black legislative participation in Virginia can be divided into four periods: Slavery, Reconstruction, Civil Rights and Post-Civil Rights. During the era of slavery, most people of African descent were legally regarded as property and subject to the discretion of their owners. Only freeholders, or owners of land, were allowed to vote or hold political office in Virginia. Occasionally successful petitions to courts located in the North, periodic legislative action in the North and escapes to Northern states were the only ways African Americans could reverse their political exclusion. Needless to say, none served in the Virginia General Assembly until after the Civil War.

The first time African Americans gained political office in significant numbers was during the Reconstruction Period. The passage of the 14th Amendment – the "equal protection" amendment – and the 15th Amendment, which guaranteed the right of black males to vote, provided important legal bases for this participation. However, events during Reconstruction also demonstrated that African American political participation tended to polarize blacks and whites economically and socially.

Reconstruction in Virginia was a time of significant legislative involvement on the part of African Americans in the General Assembly. The apex of that participation occurred in 1869, when 27 of 180 newly seated legislators were African Americans. Six held seats in the Senate and 21 were in the House. African Americans actively participated in electoral politics in Virginia until the political deal that settled the 1877 Hayes-Tilden presidential election effectively restored white Southern power. It resulted in the virtual exclusion of African Americans from political participation in Virginia and, more generally, in the South.

By 1891, no longer were there any African American legislators in Virginia. The only black candidate for the legislature in 1892 was shot. With the adoption in 1902 of a new state constitution that contained a literacy test and poll tax requirements designed to keep African Americans from voting, the number of blacks estimated as registered to vote dropped from 147,000 to about 10,000. In Norfolk, African American voter participation declined from 1,826 to 150 (Andrew Buni, "The Negro in Virginia Politics, 1902-1965").

The Civil Rights era in Virginia began in the 1950s. African Americans and some whites used a variety of strategies and tactics – marches, boycotts, sit-ins, demonstrations and legal actions – to press for greater political inclusion and more equitable economic opportunities. Virginia was but one actor in a massive struggle occurring on a national stage. But the state was resistant to change, even closing schools at times to prevent racial integration. Norfolk's Virginian-Pilot was the lone daily newspaper in the state opposing massive resistance to school integration. Its editor, Lenoir Chambers, received a Pulitzer Prize for his leadership.

Federal court decisions and passage of the historic 1964 Civil Rights Act and 1965 Voting Rights Act changed the picture in Virginia substantially, eliminating the literacy test and poll taxes for voting and spurring African American political participation. Notably, these civil rights statutes were politically bipartisan achievements. Indeed, greater proportions of Republican congressmen and senators voted for these acts than did Democrats.

Two propitious developments have stimulated the presence of African Americans in state legislative positions since the 1960s. First, the shift by most states, including Virginia, to single-member districts as a result of federal court redistricting decisions, increased the likelihood that African Americans could be elected, provided some districts were drawn in a fashion that would produce black majorities. Second, the Voting Rights Act of 1982 changed the landscape dramatically. It has been interpreted as requiring that "majority-minority" districts be established wherever feasible: if it is possible to draw a sensible legislative district that would enhance the possibility of a minority candidate being elected, it should be done. Further, laws or legislative districts that might dilute minority votes were now suspect and required clearance by the attorney general of the United States. Note that the Voting Rights Act did not actually require the creation of new minority legislative districts, but the judicial decisions based on the act essentially forced states to draw new "majority-minority" districts or face opposition to their redistricting plans from the Justice Department and probable legal action.

As a consequence, the number of African Americans in the Virginia General Assembly increased almost immediately after legislative redistricting in 1991. Also favoring blacks during the redistricting of 1991 was the attempt by Democrats to slow their own decline in power by fashioning districts most favorable to their party, which helped African Americans, who tend to vote Democratic. Further, in the Republican-controlled redistricting of 2001, many majority-minority districts were created because Republicans wished to "pack" Democrats into as few districts as possible. It was a "more African Americans, but fewer Democrats" strategy.

African American legislators in Hampton Roads shared a greater percentage of representation in the region than ever before with the redistricting of 2001. With the population shifts occurring in the Commonwealth during the 1990s, Hampton Roads communities lost representation in the General Assembly. While the Northern Virginia Metropolitan Statistical Area (MSA) grew at a rate of 25.13 percent from 1990 to 2000 and the Richmond MSA grew by 15.12 percent, the Hampton Roads MSA increased only 8.41 percent during the same period. In the 1990s, the region had 27 legislators whose districts were wholly or partially located within Hampton Roads. However, the 2001 redistricting dropped that number to 23. Even so, no African American legislator lost his or her seat as a result of the redistricting.

The Increase In African American Legislators

As Table 1 shows, between 1970 and 2004, 30 African Americans have held office in the Virginia General Assembly. Delegate William F. Reid's election in 1966 was followed in 1970 by that of William P. Robinson Sr. of Norfolk to the House of Delegates and L. Douglas Wilder of Richmond to the Senate. In 1978, James S. Christian of Richmond (who later died in office), Robert C. Scott of Newport News and Benjamin J. "Benny" Lambert III of Richmond took seats in the House of Delegates. Court-required, single-member legislative districts in 1982 led to the addition of three new African American legislators in the House of Delegates – Yvonne B. Miller of Norfolk, Mary T. Christian of Hampton and Kenneth R. Melvin of Portsmouth.

In 1985, state legislative elections resulted in the growth of Virginia's African American legislative contingent from seven to 10 members. The Virginia Legislative Black Caucus (VLBC) was formally organized in 1988. The caucus is a race-based group that traditionally has operated on a partisan Democratic basis, primarily because only two black Republican legislators have ever been elected since Reconstruction. Neither of these legislators, Paul Harris from the Charlottesville area or Winsome E. Sears from Norfolk, serves today. Both ended their service voluntarily. Delegate Harris accepted a position as a Bush administration appointee and Delegate Sears decided not to run after a successful single term in office. Neither joined the VLBC and indeed, both had strained relationships with members of the Black Caucus.

In 1991, the African American legislative contingent grew, though not as much as some expected, following the addition of five House districts and two Senate districts that had majorities of African American voters. In the Senate, African American representation grew from three to five members. Incumbents Robert C. Scott (Newport News), Yvonne B. Miller (Norfolk) and Benjamin J. Lambert III (Richmond), all of whom began their service in the House of Delegates, were returned to the Senate, while L. Louise Lucas and Henry L. Marsh III, from Portsmouth and Richmond, respectively, were elected to the Senate. However, despite the addition of five new black-majority House districts, African American representation in 1991 in the House of Delegates remained unchanged at seven members.

In 1998, Republicans gained control of the Senate, but the House of Delegates remained in Democratic control, though only narrowly, until 2000. The party division in the House in 1998 was 50 to 49, plus one independent (Delegate Lacey Putney) who historically voted with the Republicans. This razor-thin division of political power provided a splendid environment for political maneuvering, and Norfolk's powerful Thomas Moss, who was Speaker of the House, was at the forefront of deal-making designed to retain both Democratic control of the House and his own leadership post. The VLBC played a major role in determining the outcome, as will be described below.

In 2000, Republicans culminated a three-decade expansion of their political power by gaining a narrow, but workable, majority in the House of Delegates. They did not need African American delegate votes to elect one of their members as House Speaker. The Republicans now control the most important statewide elected positions (except for governor and lieutenant governor) and both houses of the General Assembly. By 2002, they owned 66 of the 100 seats in the House of Delegates. While this majority declined to 63 in 2004, there is little doubt that Republicans (who currently do not have any African Americans in their ranks) are firmly in control of the General Assembly. GOP dominance of the Senate increased to 24 of 40 seats. Graphs 2-A and 2-B summarize these developments.

Only Gov. Mark R. Warner's 2001 election, along with that of Lt. Gov. Timothy Kaine, represented a meaningful flow against the strong Republican tide. Warner was advantaged by a large war chest augmented by his personal wealth, and Kaine may have gained from some coattails, as well as by having a weak opponent in the general election. Norfolk delegate and African American Jerrauld C. Jones lost the Democratic primary to Kaine, coming in third among three candidates. African American and Richmond-area Delegate Donald McEachin won the Democratic nomination for attorney general in a four-way race, but lost the general election, garnering less than 40 percent of the vote. It is an uphill battle for any African American candidate to match the feat of former African American Gov. L. Douglas Wilder and be elected to a statewide office. In addition to any disadvantages associated with race, African American Democratic candidates face an electorate that now leans Republican.

In 2001, William P. Robinson Jr., a senior, influential and often controversial member of the House of Delegates was defeated for reelection by Winsome E. Sears, who became the first black Republican woman member of the House of Delegates. While Delegate Robinson's non-legislative conduct periodically was the subject of criticism by the media and others, he had chaired the Transportation Committee of the House and was widely regarded as a skilled legislator. Meanwhile, well-regarded Delegate Jerrauld C. Jones, another experienced African American legislator from Hampton Roads, resigned his seat after his failed attempt to get the Democratic nomination for lieutenant governor and accepted a cabinet position in Gov. Warner's administration. Subsequently, Delegates Mary T. Christian of Hampton and Flora D. Crittenden of Newport News, plus Sen. W. Henry Maxwell of Newport News, announced their retirements. The net effect of this significant loss of seniority was to diminish potential African American legislative power and influence. The combination of Republican ascendance, African American retirements and electoral defeat had an adverse impact on the ability of African Americans to accomplish many of their legislative goals, unless they were willing to deal with the Republicans.

Visible Sources Of Legislative Power

The most visible sources of legislative power are leadership posts within one of the political parties, or a position of influence in one of the chambers of the General Assembly (majority leader, whip, speaker, committee chair, etc.). While Delegate Jerrauld C. Jones held the position of vice chair of the Democratic Caucus and was followed by Delegate Viola O. Baskerville, the possibility of becoming a committee chair is beyond the reach of VLBC members because the Republican Party controls both houses, and all African American legislators are Democrats. However, it should be noted that many African Americans have served as committee chairs in the past. Already in 1972, William F. Reid chaired the Labor Committee in the House of Delegates, while William P. Robinson Sr. chaired the Health, Welfare and Institutions Committee in 1980. Delegate James S. Christian was to assume the chairmanship of the Nominations and Confirmations Committee before he died in December 1982. Governor-to-be L. Douglas Wilder chaired the Transportation Committee from 1976 to 1980 and served as chair of the Privileges and Elections Committee in 1984. Prior to his departure in 2001, William P. Robinson Jr. co-chaired the Transportation Committee, helping to guide it through a thicket of difficult transportation decisions.

Currently, there are no black committee chairs, though some African American legislators hold assignments on "power committees." During the 2003 legislative session, Delegates Mary T. Christian and Lionel Spruill Sr. were members of the House of Delegates' powerful Appropriations Committee. Christian and Delegate Flora D. Crittenden were the only African Americans assigned to the influential Rules Committee. Delegate Kenneth R. Melvin of Portsmouth served on the Courts of Justice Committee.

Committee membership is hardly a random outcome. Seniority is an extremely important factor in determining committee assignments. It's been said, only somewhat in jest, that the single most accurate barometer of a legislator's clout and power is the number on his or her license plate. Since the House of Delegates has 100 members, the specialty license plate numbers of its members' automobiles range from 1 to 100. The lower the number, the more senior the legislator. Thus, a delegate with the license number 99 is inexperienced, junior and probably without much power, whereas a delegate with number 10, for example, is experienced, senior and may wield considerable power. Put in these terms, the plight of African American legislators in 2004 is not only that the Republicans are in the majority, but also that few of their license plates have low numbers! Senators Benjamin J. Lambert III and Yvonne B. Miller are fifth and sixth, respectively, in seniority in the 40-member Senate. On the House side, Delegate Kenneth R. Melvin is 14th in seniority, but the next most senior African American delegates are Dwight C. Jones at 36th and Lionell Spruill Sr. at 41st.

In the Senate, VBLC members are strategically situated in the committee system. Yvonne B. Miller and W. Henry Maxwell served on the Commerce and Labor Committee during the 2003 session. The Courts of Justice Committee included Henry L. Marsh III and L. Louise Lucas, who represents the western-most sections of Hampton Roads and a large swath of Southside Virginia. Maxwell and Miller were members of the General Laws Committee. Lambert is the only African American on the Privileges and Elections Committee. Currently, no African American serves on the powerful Senate Rules Committee. **The most powerful African American in the Senate is Richmond's Benjamin J. Lambert III who is a senior member of the Finance Committee, which handles both revenue and spending topics. Lambert entered the Senate in 1986 after having served in the House of Delegates from 1978 to 1985, and he has paid his dues. Arguably, he may be the most powerful African American in state-level politics in Virginia. He is not one who pounds tables or demands publicity, but is effective and influential.**

During the 2003 legislative session, African American legislators did not hold any leadership positions other than Delegate Viola O. Baskerville, who was one of two vice chairs of the Democratic Caucus. In the House of Delegates, the positions of speaker, majority leader and minority leader all were held by white males. Similarly, for the same period in the Senate, the positions of president, president pro tempore, majority leader and minority leader were filled by white males. The relatively junior status of many African American legislators and their Democratic Party affiliation are the proximate causes of this lack of representation.

Absent a major scandal or economic depression, it is improbable that Democrats will hold a majority in either legislative house during this decade. Should either house become equally balanced between the parties, the VLBC could once again wield considerable power.

The electoral habits of African American voters in some districts have militated against their being represented by individuals who have accumulated considerable seniority (and have those valuable low license plate numbers). When a vacancy has occurred, several of the districts in which African American voters are a majority have elected individuals who are older in age. However competent and energetic these politicians have been, they usually have served only a few terms and then have retired before

accumulating the power that significant seniority would provide. With the advantage of hindsight, one can say that it might have been better for these voters to elect younger candidates in the 35-45 age range, who could serve continuously for decades.

However, change is on the horizon. In 2003, the average age of a member of the House of Delegates was 54. For African American delegates it was 54.6. If Hampton Roads legislators such as Delegates Kenneth R. Melvin (14th in seniority in 2004) and Lionell Spruill Sr. (41st) maintain their legislative seats throughout this decade, they will become increasingly powerful. Further, Delegates Kenneth C. Alexander of Norfolk and Fenton L. Bland Jr. of Petersburg are young men who have the potential for many years of service. The metaphorical road to lower license plate numbers is long and requires patience. **Seniority is in fact the major avenue open today to African American legislative political power and influence in a world dominated by Republicans. The next strongest potential avenue to power for the VLBC is discipline within the caucus. This will lead to its becoming a dependable voting bloc.**

Informal Power

The 16 members of the VLBC potentially can wield considerable power by virtue of their numbers, if they approach issues in a united fashion. Even though Republicans control 61 seats in the House of Delegates and 24 in the Senate, they will find it difficult to ignore a determined, articulate, united bloc of African American legislators. On occasion, the VLBC has been able to tilt outcomes on key legislative actions by operating as a political bloc. In 1998, when the House of Delegates was essentially equally divided between Democrats and Republicans, African American legislators recognized that they could determine the leadership of the House, if they wished to flex their political muscle. They took note of the legislative horse-trading that had occurred recently in North Carolina, where some African American legislators sided with the Republicans in exchange for more favorable committee assignments and other plums. Several members of Virginia's VLBC privately threatened to help the Republicans organize the House unless VLBC members received a greater share of political power. One of the consequences was that Speaker Moss expanded the membership of the powerful House Appropriations Committee and placed two VLBC members on that committee, as well as one on the Rules Committee. Additionally, virtually every African American delegate's committee assignments were enhanced. Viewed historically (and regarding the Reconstruction period as an aberration), African American legislative influence was at an all-time high.

Partially instructive is the reconfirmation consideration of Newport News Circuit Court Judge Verbena Askew, an African American, in 2002. The fervent efforts of the VLBC to support Judge Askew united Democrats in the House of Delegates who voted for her unanimously, and neutral media observers believed the party won the verbal battle. Although Askew was eventually ousted, African American senators gained important leverage over Minority Leader Richard Saslaw, who had sided with the Republicans in the move to oust Agnew. That leverage is likely to affect the organization of the caucus in 2004 and the making of Senate committee assignments.

Minority parties, particularly those that hold only about one-third of the seats in a chamber, cannot expect to win many battles, but they can make their case vigorously and the VLBC achieved that in these instances.

That said, the informal exercise of power often is the most productive for African American legislators today. Like all deliberative legislative bodies, the General Assembly still frequently operates on the principle of "you scratch my back and I'll scratch yours." There still are many agreements made by legislators across party lines. To call these agreements "deals" invokes terminology that suggests something illicit might be occurring, but that is seldom the case. Instead, friendships, mutual assistance, the voices of constituents and even persuasive arguments can be critical in enabling a legislator to bring something important back to his or her home district. Horses may no longer tramp the streets in Richmond, but horse-trading is far from dead in the General Assembly.

Further, caucuses such as the VLBC can be effective brokers of information. VLBC members, for example, interface with constituents, other legislators and the executive branch. They interact with the governor, legislative leadership and influential staff personnel. Good information is scarce and VLBC members meet regularly for the purpose of sharing information and strategizing about the best way to get things accomplished. The VLBC and African American legislators from Hampton Roads can be productive by astutely formulating strategy and then legitimizing and highlighting issues.

It's also true that both the VLBC and individual African American legislators can wield considerable moral force when the topic is appropriate. Legislative discussions relating to the state song and Republican decisions to provide exceedingly generous support to the Commonwealth's two historically black public colleges, Virginia State University and Norfolk State University, are two examples.

Former Delegate Jerrauld C. Jones was notably skillful in bringing fairness issues to the forefront in the House of Delegates and in appealing to the sense of equity of legislators who represented districts far from his Norfolk home, or constituencies with only modest interest in the aims of the VLBC. Other African American legislators from Hampton Roads known for their oratorical skills include former Delegates Mary T. Christian and William P. Robinson Jr., and current Delegate Kenneth R. Melvin. It is not impossible, then, for members of the VLBC to gain some headway if they skillfully articulate their position and play, at least implicitly, on the reluctance of many white legislators to do battle on racial issues.

One of the interesting spin-off effects of the "majority-minority" district emphasis of the Voting Rights Act of 1982 was to place many Republican legislators in districts with small or virtually no minority populations. Paradoxically, because of the act, African American voters have been resegregated, though in this case into majority-minority districts where African American candidates have strong chances of being elected. But this coin has two sides. The act also resulted in the creation of more heavily Republican districts where few minority voters reside, and therefore the legislators representing such districts ostensibly do not need to be as sensitive to minority and African American concerns. Even so, some (though not all) Republican legislators who have few minority voters in their districts can and have been reached through a variable combination of finding joint interests, trading support on issues, and making equity and fairness arguments logically and respectfully. Sen. L. Louise Lucas has demonstrated this several times when she teamed with very conservative Republicans to cosponsor legislation that does not directly deal with race. Similarly, Delegate Lionell Spruill Sr. exhibited the ability to leverage his vote on key issues of interest to Republicans in return for support for several issues of intense interest to African Americans.

Effectiveness Of African American Legislators From Hampton Roads

Determining the effectiveness of individual legislators is both an art and a science and hence can be a very subjective exercise. There is a tendency for evaluators to regard as effective those legislators who think and vote as they do. The opinions of voters must also be taken into account. It is significant that only one of the 30 African American legislators listed in Table 1, Delegate William P. Robinson Jr., left office involuntarily. Robinson was an effective legislator by many measures, but by the most important measure of all – the vote on Election Day – he did not meet the expectations of his constituency. Of the remaining African American legislators, three died while in office (William P. Robinson Sr., James S. Christian and Roland D. Ealey), two went on to higher office (L. Douglas Wilder and Robert C. Scott) and seven retired or chose not to run again (William F. Reid, W. Henry Maxwell, Mary T. Christian, Jean W. Cunningham, Flora D. Crittenden, Paul C. Harris and Winsome E. Sears). Sixteen remain in office, with five of those members having been elected for the first time in 2003.

A degree of the effectiveness of an African American legislator is tied to the effectiveness of the VLBC because of the strong cohesion of the group. Upon occasion, the Hampton Roads African American legislative delegation has united with great success. In 1997, the VLBC, keyed by Hampton Roads African American legislators, succeeded in retiring the provocative state song, "Carry Me Back to Old Virginia," which contains such racially offensive references as "darkey" and "massa." And, in a rare display of relative consensus across racial, party and geographic (urban versus suburban) lines, separate bills were introduced by five legislators making it a felony for an individual to burn any object on another's property with the intent to intimidate. Members of the Hampton Roads black delegation, including Sen. Yvonne B. Miller and Delegates Kenneth R. Melvin and Winsome E. Sears, were central to this thrust. Regional support for this legislation was heightened because of cross-burning incidents in the Pungo section of Virginia Beach.

There have been other attempts to address the negative implications of the Commonwealth's Confederate legacy, as well as to eradicate the vestiges (symbolic and otherwise) of "white supremacy." The opposition of many VLBC members to legislation approving the issuance of special automobile license plates with the Confederate flag on them is one example. The Hampton Roads African American delegation was not united on this issue, however. Delegate William P. Robinson Jr. was one who felt

that such a ban might violate the First Amendment. Delegate Jerrauld C. Jones and many other VLBC members were staunchly opposed, maintaining that such symbols conjured up feelings of hurt and oppression, but they did not prevail.

The sensitivities to Virginia's past also were revealed in conflicts over the traditional Confederate History Month proclamations and the display of a portrait of Robert E. Lee, along with other historical figures, on the Richmond floodwall. A proposal to locate a statue of Abraham Lincoln and his son, commemorating the 16th president's singular visit to Richmond just prior to his assassination, also generated controversy. In all of these instances, the VLBC made its case persuasively and effectively, though it did not always achieve success.

The VLBC has been successful in adding to the traditions of the House of Delegates by introducing daily presentations about famous – and some less well-known African Americans – during February, Black History Month. While the initial presentations were made by African American legislators, the stories presented now are by many different legislators, eager to demonstrate their knowledge of black history and no doubt eager to curry favor with African American delegates whose votes they might need.

As with any minority group in a legislative setting, the effectiveness of the VLBC has been mixed. When it has occupied the moral high ground, it has tended to do well. The advent of overwhelming Republican legislative dominance has reduced the ability of the VLBC, including that of its eight Hampton Roads members, to engage in effective deal-making. It's still possible, but good deals are more difficult to achieve.

Ironically, the most influential African American legislator from Hampton Roads during the 1980-2000 period is considered by many to be Delegate William P. Robinson Jr. He co-chaired the Transportation Committee and chaired the Commission of the Future of Transportation in Virginia. Robinson was instrumental in gaining the passage of legislation requiring implementation of a comprehensive statewide transportation planning process for all modes of transportation. A second bill increased the percentage of the Transportation Trust Fund assigned to support public transit and allowed localities to use their share of highway funds to support public transit operating costs. Although light rail was defeated in a referendum in Virginia Beach, the legislation heightened interest in addressing intensified traffic congestion in Hampton Roads. Norfolk and several other cities may eventually move forward to develop light rail, and Delegate Robinson's foresight will have made this financially possible.

Robinson also supported legislation establishing the Martin Luther King Jr. Commission. He was instrumental in helping to secure funding for the renovation of the Crispus Attucks Cultural Center on Church Street in Norfolk, as well as funding for completion of the city's persistently delayed Martin Luther King Jr. Memorial. In January 2000, he helped usher the passage of legislation for a state holiday honoring the Rev. Dr. Martin Luther King Jr. The success of this bill was due in part to Robinson's ability to convince Gov. Jim Gilmore to reach out to African Americans.

While Robinson's legislative accomplishments were significant, he suffered a continuous clash of demands on his time from his law practice and his expanded legislative responsibilities. His inability to balance the two eventually did him in. With the newspapers pointing to his frequent use of legislative privileges to conduct his law practice, Robinson not only lost a bid for reelection, but subsequently lost his party's nomination to try to regain his position.

One of the most daring and successful political exercises in recent years by a Hampton Roads African American legislator was carried out by Delegate Lionell Spruill Sr. Because the Republican majority was razor-thin in the House of Delegates in 2000, Spruill was able to leverage his vote on several issues of critical importance to Republicans in return for generous administration support for his primary interests. Virginia State University and Norfolk State University, for example, received significant additional operational funding and construction support directly as a result of Spruill's bargaining and the threat of federal action to ensure adequate funding for historically black colleges. This did not sit well with some Democratic legislators, black and white. Several viewed his actions as a "sellout" to the administration. However, Spruill brought home the bacon for two institutions close to the hearts of African Americans, something that other black legislators often had not been able to do as successfully up to that point. Spruill was not reticent about what he had done and why he had done it – in his mind, the results spoke for themselves. Many neutral observers viewed the complaints of Spruill's critics as sour grapes. It's not clear whether the same strategy could be used today because Republicans hold healthy majorities in both chambers and the threat of federal action is no longer present. Nonetheless, Spruill's legislative successes arguably were some of the most successful actions in support of the VLBC's agenda since it was formed.

Jerrauld C. Jones, former delegate and Black Caucus chair, was successful in a number of efforts to support Hampton Roads. He introduced legislation in 1996 creating the Hampton Roads Sports Facility Authority in an attempt to make the region more attractive to major league sports teams. His bill provided the region with a mechanism for funding and paying for the construction of an arena for a professional sports team. While the economic payoff of a pro team in Hampton Roads is questionable, without Delegate Jones' action it would likely be impossible to consider such a proposition.

Jones became recognized as the region's most effective African American speaker on the floor of the House of Delegates when civil rights and black dignity issues arose. Frequently drawing on his own experience, Jones had the ability to sway votes with his powerful, evocative speeches. For that reason, he was a capable chair of the VLBC. He currently serves as the director of Virginia's Department of Juvenile Justice.

In her only term (2002-04), Delegate Winsome E. Sears achieved several publicized legislative successes. Two factors made this possible. First, she was adept in selecting her issues. Second, she was a Republican and the party was determined to make their first African American woman legislator successful. Sears introduced a bill that held physicians to stiffened standards for negligence and provided more protection for patients. This was a popular issue because newspaper articles in the Hampton Roads area had pointed out abuses in the system as it existed. Sears also sponsored legislation that clarified the prohibition against individuals possessing drugs with intent to distribute on school property, recreation centers, libraries and hospitals. This, too, became law.

Sears subsequently decided not to run for reelection. Nonetheless, her situation is worthy of additional attention because it was cited nationally as an example of political realignment among African Americans. She since has decided to challenge Democratic Congressman Robert C. Scott for his post. A Marine Corps veteran, Sears is an outspoken evangelical Christian. Her background as a 6-year-old immigrant from Jamaica generated a distinct view of the purpose and exercise of the democratic process in Hampton Roads and the Commonwealth. She boldly announced, "I'm a Christian first. A Republican second. If I keep that in perspective, none of that will go to my head." (Katrice Franklin, The Virginian-Pilot, Jan. 17, 2002). She also separately commented that her public support of these beliefs caused her to lose the endorsement of The Virginian-Pilot, despite the newspaper's well-documented disdain for her opponent, Delegate William P. Robinson Jr.

Sears soon established that she would exhibit independence, both from other African American legislators and, on occasion, from the Republican Party. Prior to announcing her decision to resign from the VLBC, Sears told a Washington Times reporter, "We just don't see eye-to-eye. I am not going to support someone just because they are black." This comment was in reference to her failure to support the VLBC's efforts to reappoint Circuit Court Judge Verbena Askew. This did not endear her to many African Americans, but caused her stock to rise in the Republican caucus.

When Delegate Sears announced that she would not run for reelection, Republican leaders statewide and in Hampton Roads were visibly unhappy because they had invested considerable time and resources in her election. She represented a significant intrusion into strongly Democratic territory and they now had to reconcile themselves to losing her seat to the Democrats. Democrat Algie Howell was easily elected to this seat in November 2003.

Other Measures Of Legislative Effectiveness

The results of external measures of effectiveness must be considered in light of the agenda of the group doing the evaluation. This is particularly true with the Virginia Foundation for Research and Economic Education (FREE), a business-oriented organization that evaluates the votes and effectiveness of the Commonwealth's legislators. Since it is a proponent of the business community, Democrats and African American legislators tend to receive less favorable evaluations of their voting records than Republicans and whites. Table 2 presents Virginia FREE's assessment of how "pro-business" African American legislators' votes were in 1998, the last year Democrats controlled the House of Delegates, and 2002 when the Republicans were clearly in charge. But Table 2 also reports Virginia FREE's perception of how effective these legislators were regardless of their stands on issues. Effectiveness here is measured by the subjective opinions of approximately 100 business lobbyists concerning the success legislators had in advancing their own legislative objectives. As would be expected by such measures, the typical African American Democratic legislator is perceived to be less effective than the typical white Republican legislator. Sen. Benjamin J. Lambert III and Delegate Kenneth R. Melvin are notable exceptions. Both have accumulated considerable seniority, and both

have assembled reputations for being open to discussions and compromise, as well as for being able to work across party lines with white Republican legislators. It's also of interest that Delegate Winsome E. Sears received a reasonably high effectiveness evaluation. Without doubt, her Republican identification made her a more effective freshman legislator than is usually the case.

A comparison of the effectiveness measures between 1998 and 2003 clearly shows the subjective nature of this form of evaluation, particularly with the House of Delegates results. The business community displeasure with the Republican majority's ability to govern is reflected in a bounce in scores for all Democrats, including African Americans, in 2003. Republicans who in the past have liked to use Virginia FREE ratings in their campaigns have suddenly become critics of the process.

One rough measure of legislative productivity is a legislator's ability to gain passage for his or her legislation. Of course, not all legislation is created equal and some bills are inconsequential. Nonetheless, consider the data presented in Table 3, which measures the number of bills each legislator introduced and had passed – with no attempt to measure the significance of any of the bills. The year 1997 was chosen as the last time Democrats had control of both houses of the General Assembly, and 2003 was chosen as the most recent year the legislature was under control of Republicans.

For 1997, all Hampton Roads African American legislators, with the notable exception of Delegate William P. Robinson Jr., introduced far fewer bills than did the average legislator. And, with the exceptions of Robinson and Delegate Kenneth R. Melvin, they were able to get fewer bills passed. The situation did not change in 2003. No African American legislator has stepped forward to take up the workload of Robinson, and almost all were below the average in the number of bills introduced and passed. It's not clear what should be made of this. Does it reflect productivity or perceived opportunity?

Political Realignment?

Did the elections of Paul C. Harris Sr. from Charlottesville and Winsome E. Sears from Norfolk signal a political realignment among African Americans? This is unlikely. Both elections represented unusual circumstances. Delegate Harris was elected from a white-majority district and would not have been elected had it been up to African Americans in that district. When he chose to leave, he was replaced by a white, male Republican. Delegate Sears was elected only because the incumbent, Delegate William P. Robinson Jr., was the target of repeated volleys of bad publicity over the years. When she chose to leave, she was replaced by an African American Democrat. Voting statistics reveal little sign that African Americans have decided to adopt the Republican Party, even though they often complain that Democrats take them for granted and patronize them besides. Indeed, the proportion of African Americans who now vote Republican is at an all-time low in Virginia.

Would African Americans wield more political power if they exhibited a more bipartisan approach to politics? Probably. The best of all worlds for a group of voters is for it to be viewed as "in play" – that is, to be seen as people who can be attracted to either party. Voting groups that are not rigidly aligned with one party must be courted and therefore tend to receive more attention and goodies. It is axiomatic that swing voters decide most elections and hence it is they who attract the lion's share of attention. They may be labeled "soccer moms" or "NASCAR dads," but whatever the label, they require attention if their votes cannot be taken for granted. Despite the rhetoric issuing from the Democratic Party today, Democratic candidates often do take the voting preferences of African Americans as a given, at least in the general election. In Democratic primary elections, African Americans still have immense clout and are courted.

The prevalence of "majority-minority" districts is one reason African American voters have less impact in a general election. Here, the major strategic consideration for Democrats is not what they must do for African Americans, but instead how they can maximize African American election turnout. The attitude is, "They'll vote for us, if they vote." True, many times there is overlap between electoral tactics that focus on African American issues and tactics that focus on African American turnout. However, the tone and attitude associated with each approach are distinctly different, as many Democrats confess privately. For example, the Commonwealth's Democratic leaders may be much more amenable to putting a sacrificial African American lamb on their statewide ticket in order to maximize black voter turnout, even though they realize the candidate's chances of success are minimal.

Veteran observers of the local political scene believe the two most instructive political episodes involving Hampton Roads African American legislators in the post-Civil Rights era have been the VLBC's implicit threats to help the Republicans

organize the House of Delegates in the late 1990s and Delegate Lionell Spruill Sr.'s bargaining with Gov. Gilmore during the same period. "They went from crumbs to slices of the pie then," commented one political observer who wishes to remain anonymous, but admired these successful gambits.

Final Comments

If one takes a very long view, then it is easy to conclude that the progress of African Americans in the legislative halls of Richmond has been significant, seemingly irreversible and almost continuous. However, taking a shorter, more contemporary view, one might well conclude that there is little wind in the sails of African American legislators today. They are greater in number, but all are members of a minority party that is likely to remain the minority party in Virginia for years to come. Further, the all-important status of seniority among African American legislators is not yet high enough to make a major difference. Finally, the populations of other minority groups in the Commonwealth (notably Asian Americans and Latinos) are growing rapidly and their political influence is increasing. **The locus of political power has swung to Northern Virginia, and African American influence in that region is significantly lower than it is in many other parts of the state, including both Richmond and Hampton Roads.**

A dispassionate observer might well conclude that the political power of African Americans in Virginia has peaked and henceforth will decline, slowly but surely. Life is too uncertain for anyone to know this for sure. That said, the remainder of this decade is likely to be a time of consolidation and struggle for African American legislators in Richmond.

TABLE 1

AFRICAN AMERICAN MEMBERSHIP IN THE VIRGINIA GENERAL ASSEMBLY
1970-2004

Member	Chamber	Tenure
William F. Reid	House of Delegates	1968-1974
William P. Robinson Sr.	House of Delegates	1970-1982
L. Douglas Wilder	Senate	1970-1986
James S. Christian	House of Delegates	1978-1982
Robert C. Scott	House of Delegates	1978-1982
	Senate	1984-1992
Benjamin J. Lambert III	House of Delegates	1978-1986
	Senate	1986-present
William P. Robinson Jr.	House of Delegates	1982-2002
Roland D. Ealey	House of Delegates	1982-1992
W. Henry Maxwell	House of Delegates	1982-1994
	Senate	1994-2004
Yvonne B. Miller	House of Delegates	1984-present
	Senate	1988-present
Kenneth R. Melvin	House of Delegates	1986-present
Mary T. Christian	House of Delegates	1986-2004
Jean W. Cunningham	House of Delegates	1986-2002
Jerrauld C. Jones	House of Delegates	1988-2002
L. Louise Lucas	Senate	1992-present
Henry L. Marsh III	Senate	1992-present
Dwight C. Jones	House of Delegates	1994-present
Flora D. Crittenden	House of Delegates	1994-2004
Lionell Spruill Sr.	House of Delegates	1998-present
Viola O. Baskerville	House of Delegates	1998-present
Paul C. Harris Sr.	House of Delegates	1998-2000
Kenneth C. Alexander	House of Delegates	2002-present
Floyd Miles Sr.	House of Delegates	2002-present
Fenton L. Bland Jr.	House of Delegates	2002-present
Winsome E. Sears	House of Delegates	2002-2004
Mamye BaCote	House of Delegates	2004-
Algie Howell	House of Delegates	2004-
Jeion Ward	House of Delegates	2004-
Onzlee Ware	House of Delegates	2004-
Mamie E. Locke	Senate	2004-

TABLE 2

VIRGINIA FOUNDATION FOR RESEARCH AND ECONOMIC EDUCATION (FREE)
AFRICAN AMERICAN LEGISLATORS

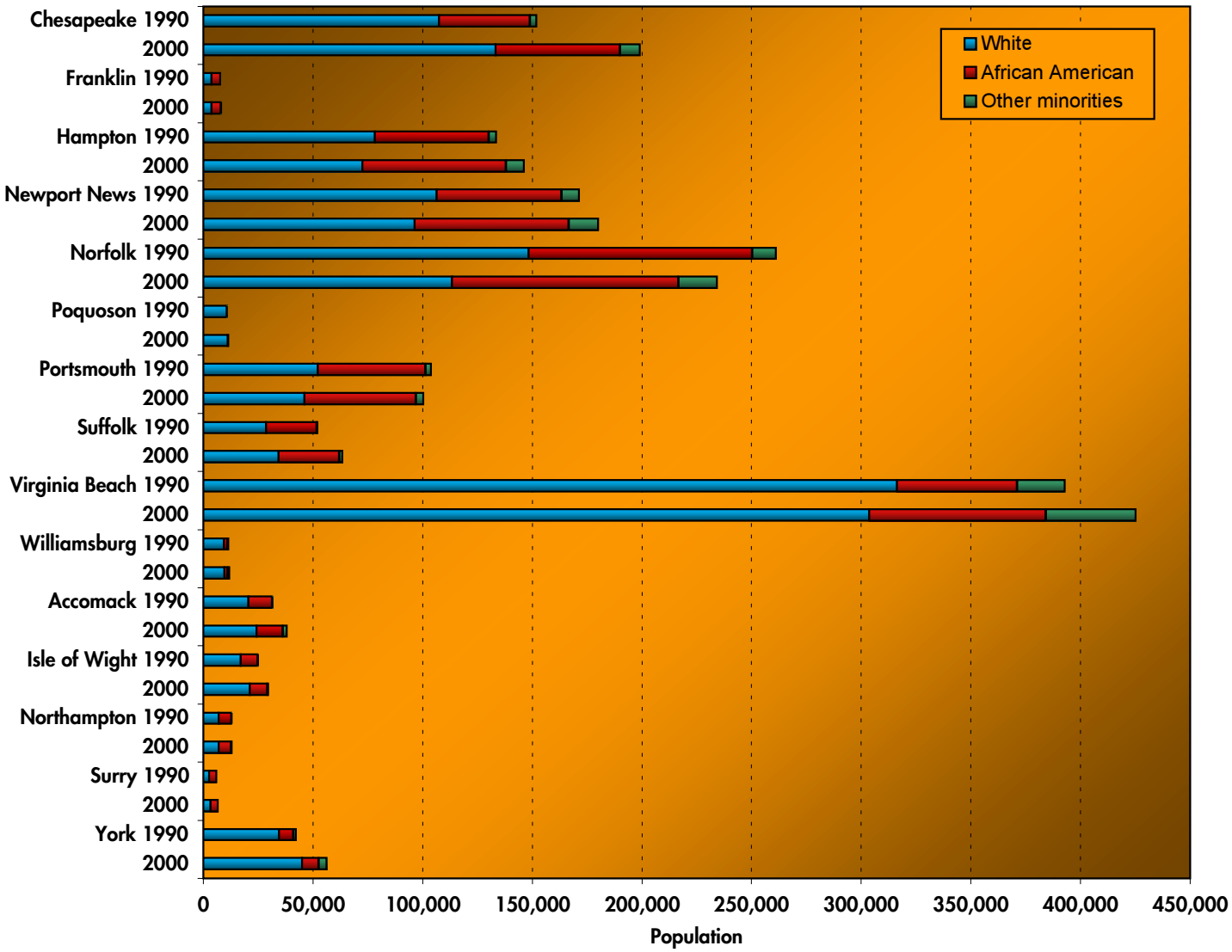
	1998 Business Rating	1998 Effectiveness	2003 Business Rating	2003 Effectiveness
Senators				
Benjamin J. Lambert III	66	66	65	63
L. Louise Lucas	53	48	57	53
Henry L. Marsh III	49	48	52	51
W. Henry Maxwell	48	41	46	37
Yvonne B. Miller	39	38	41	37
Delegates				
Kenneth C. Alexander	NA	NA	59	41
Viola O. Baskerville	43	37	61	55
Fenton L. Bland Jr.	NA	NA	48	39
Mary T. Christian	46	37	55	44
Flora D. Crittenden	40	34	54	45
Dwight C. Jones	48	47	57	53
Kenneth R. Melvin	52	60	64	67
Floyd Miles Sr.	NA	NA	58	50
Winsome E. Sears	NA	NA	64	58
Lionell Spruill Sr.	44	36	59	53

TABLE 3

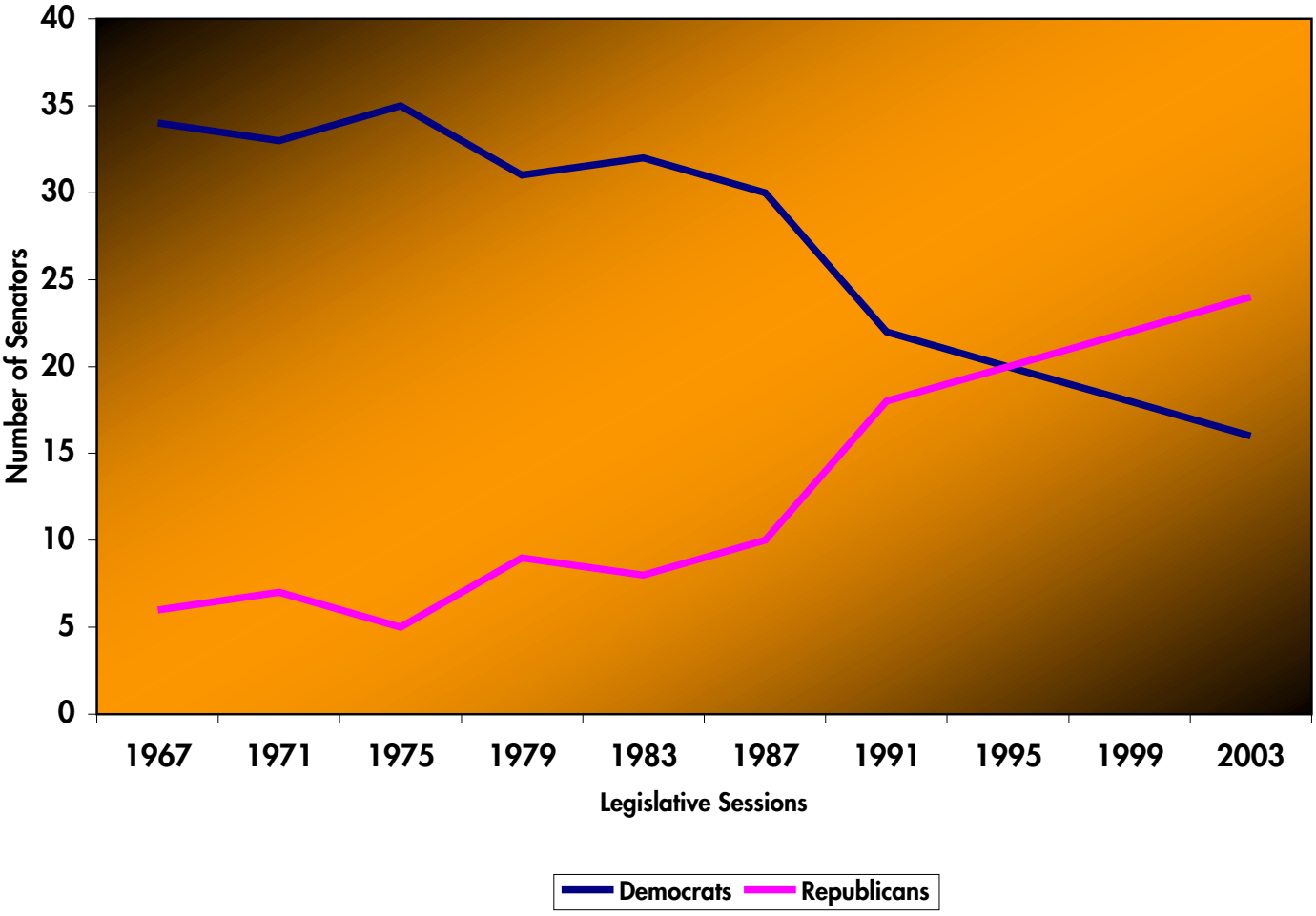
LEGISLATIVE PRODUCTIVITY AFRICAN AMERICAN LEGISLATORS

	Bills Introduced	Bills Passed
1997 Session		
Total House of Delegates	1,758	629
Average per Member	18	6
Flora D. Crittenden	6	3
Mary T. Christian	7	3
Kenneth R. Melvin	15	7
William P. Robinson Jr.	53	16
Lionell Spruill Sr.	10	3
Total Senate	666	289
Average per Member	17	7
Yvonne B. Miller	6	1
W. Henry Maxwell	10	4
2003 Session		
Total House of Delegates	1,463	680
Average per Member	15	7
Kenneth C. Alexander	4	2
Mary T. Christian	10	1
Flora D. Crittenden	14	7
Kenneth R. Melvin	7	5
Winsome E. Sears	7	4
Lionell Spruill Sr.	5	2
Total Senate	661	358
Average per Member	17	9
Yvonne B. Miller	17	5
W. Henry Maxwell	7	4

GRAPH 1
POPULATION OF HAMPTON ROADS LOCALITIES - 1990, 2000



GRAPH 2A
POLITICAL PARTIES IN STATE SENATE



GRAPH 2B
POLITICAL PARTIES IN HOUSE OF DELEGATES