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The State of the Region: Hampton Roads 2002

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THE STATE OF

HE REGION

HAMPTON ROADS 2002

REGIONAL STUDIES INSTITUTE • OLD DOMINION UNIVERSITY

Stevensville
Cumnor
King and Queen C.H.
Truhart
Rose Garden
Little Plymouth
Jamaica
Water View
Samos
Church View
Saluda
Glenns
Shacklefords
Shacklefords Fork
West Point
Plain View
Barhamsville
York River
Allmondsville
Toano
Lightfoot
Williamsburg
Colonial Williamsburg
College of William and Mary
Jamestown
Scotland
Cobham Wharf
Surry
Bacons Castle
Rushmere
Runnymede
Dendron
Pons
Smithfield
Goodrich Fork
Isle of Wight
Benns Church
Ivor
Zuni
Windsor
Walters
Chuckatuck
Carrsville
Franklin
Holy Neck
Suffolk
Cypress
Mollusk
Kilmarnock
Irvington
White Stone
Urbanna
Weems
Locust Hill
Greys Pt.
Locklies
Palmer
Westland
Windmill Point
Deltaville
Hartfield
Piankatank Riv
Cobbs Cr.
Gwynn
Gwynn's Island
Adner
Dutton
Nuttall
North
Mathews
Ark
Gloucester
Ware Neck
Mobjack
New Point
Bavon
Mobjack Bay
New Point Comfort
Naxera
White Marsh
Severn
Hayes
Achilles
Gloucester Point
Yorktown
Colonial Pkwy
Grove
Busch Gardens
Colonial Nat'l Hist. Pk.
Jamestown Nat'l Hist. Site
Surry Nuclear Power Plant
Chippokes Plantation
Ft. Eustis
Grafton
Tabb
Poquoson
NASA Langley Air Force Base
Mariners Museum
War Memorial Museum of Virginia
Hampton
Fort Monroe
Old Point Comfort
Rescue
James River
Newport News
Hampton Roads
U.S. Naval Base
Norfolk
Little Cr.
Portsmouth
Sleepy Hole
Bayside
Lynnhaven
Virginia Beach
Kempsville
Princess Anne
Virginia Beach-Norfolk Expwy.
Naval Air Station
Canal
Fentress
Great Bridge
Hickory
Chesapeake
Blackwater
Back Bay
Pungo
Great Dismal Swamp Nat'l Wildlife Refuge
Great Dismal Swamp
Richmond 94 Miles
Norfolk 11
Philadelphia 275 Miles Norfolk
Bay
Intracoastal Waterway
Harborton
Pungoteague
Craddockville
Silver Beach
Franktown
Bridgetown
Machipongo
Eastville
Cheriton
Bay View
Cape Charles
Capeville
Townsend
Kiptopeke
Fishermans Island Nat'l Wildlife Refuge
Fishermans Island
Mockhorn
Chesapeake Bay Bridge-Tunnel (Toll) 21
At Norfolk
U.S. Naval Shipyard
Hampton Roads Naval
Norfolk Gardens by the
Gen. MacArthur Memo
Cape Henry Lighthouse
Seashore
Fort Story

October 2002

Dear Reader:

This is Old Dominion University's third annual "State of the Region" report. While it represents the work of many individuals connected in various ways to the University, the report does not constitute an "official" viewpoint of the University, or its president, Dr. Roseann Runte.

Our "State of the Region" reports maintain the modest goal of making Hampton Roads an even better place to live. We are proud of our region's many successes, but realize it is possible to improve the region's performance. Yet, in order to improve our performance, we must have accurate information about "where we are" and a sound understanding of the policy options available to us. This year's report places particular emphasis upon providing up-to-date information on how Hampton Roads compares to other regions nationally.

The 2002 report is divided into seven parts:

Hampton Roads ... A Comparative Tour: We compare Hampton Roads to other metropolitan areas by means of more than 30 different economic, social and educational variables. This section should be a valuable reference.

The Impact of Sept. 11: Here we examine both the short-run and long-run impacts of the Sept. 11 terrorist attacks. We also estimate the economic impact on the region of another military deployment of the magnitude of Desert Storm.

The Regional Distribution of Income: We find that income is distributed more equally in Hampton Roads than in many other metropolitan areas and more equally than in the nation as a whole.

The State of Religion: Religion occupies a significant role in the region. Religious affiliations and activities are changing more rapidly than many might believe.

Public Social Services: Last year, governments spent nearly $600 million to provide social services within Hampton Roads. These services are part of the "social safety net" of which many regional citizens are ignorant. We detail the programs and their challenges.

The Taxes We Pay: Regions differ in terms of which taxes they pay locally, regionally or at the state level. Hampton Roads is a low-tax region in a national context, but is less competitive within the southeastern United States.

Newspapers in Hampton Roads: The region is fortunate to have two major daily newspapers plus a plethora of weekly, monthly and topically oriented publications. We examine their news coverage and ask how things might be different if only one major daily newspaper existed.

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

- The Aimee and Frank Batten Jr. Foundation
- Frank Batten Sr.
- R. Bruce and Lilly S. Bradley
- Raymond W. Breeden Jr.
- Arthur A. Diamonstein
- The George and Grace Dragas Foundation
- Hampton Roads Partnership
- Thomas Lyons
- Arnold B. McKinnon
- Patricia and Douglas Perry Foundation
- Anne B. Shumadine

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

- Vinod Agarwal
- John R. Broderick
- Rev. Dr. James Cobb
- Chris Colburn
- Ellie Costulis
- Steve Daniel
- Tatiana Isakovski
- Sharon Lomax
- Trish Manthey
- Deborah Miller
- Gilbert Yochum
- Grace Wu

Our hope is 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.

Sincerely,

James V. Koch

James V. Koch

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

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A Comparative Tour

"How do I (we) compare to others?" is always a question of interest, whether we seek information about our personal situation or want to know where our group stands. In this chapter, in a variety of ways, we compare Hampton Roads to other U.S. metropolitan areas and the nation. The objective is to establish a set of standards against which we can measure ourselves – not just this year, but also many years into the future. Of course, not everything of value in life is precisely measurable. Yet, it always is instructive to see how we compare with respect to a set of plausible, quantifiable standards.

A group of comparable metropolitan areas was selected to aid our analysis. Inclusion of an area in the group was based upon three primary factors: proximity, size and its affinity with Hampton Roads. Data availability and the nature of the comparison often dictated whether specific metropolitan areas were included.

Bread And Butter

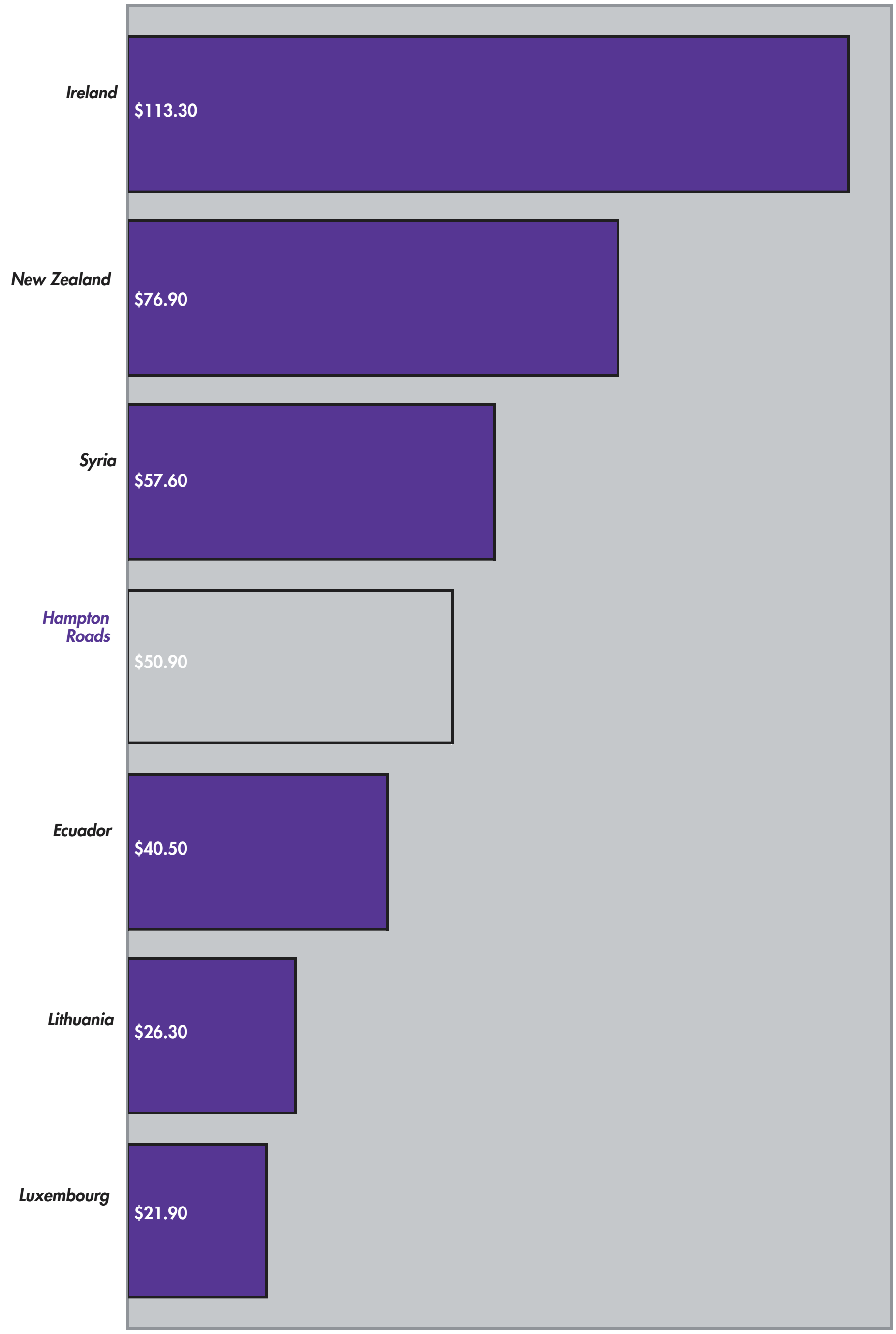
Hampton Roads' gross regional product is larger than two-thirds of the world's national economies. As Graph 1 illustrates, when measured against the world's industrialized economies, Hampton Roads' economy is larger than one current member of the European Union, larger than that of several countries awaiting entry into the Union and about two-thirds the size of that of New Zealand.

Of the more than 300 metropolitan areas in the United States, Hampton Roads ranks 45th, as measured by its gross regional product. The region's economy is among the top 15 percent of U.S. metropolitan economies; it is about one-eighth the size of the nation's largest metropolitan economy, New York City.

ECONOMIC STANDARD OF LIVING

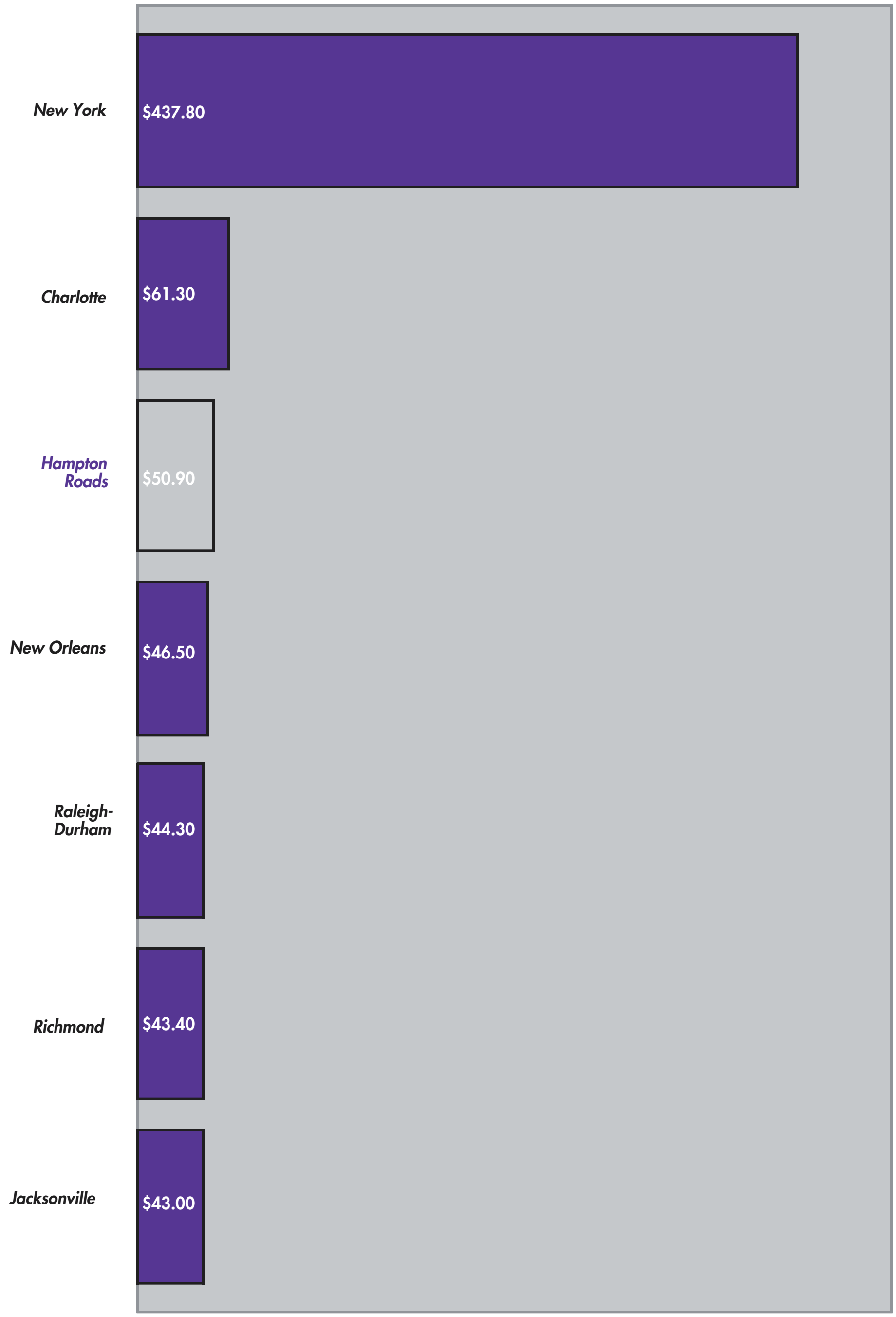
Hampton Roads' economic standard of living, as measured by its *real*, inflation-adjusted per capita income, is very close to the national average (it ranks at the 99th percentile), but the region lags significantly behind Northern Virginia and other nearby metropolitan areas, as Graph 2 demonstrates. Part of the reason for this lag is the comparatively slow rate of economic growth the region has experienced over the past decade (see Graph 3). Despite considerable growth in the non-defense portion of the Hampton Roads economy, the closing of defense-oriented firms has dampened the rate of increase in the total number of new businesses (see Graph 4).

Graph 1
COMPARATIVE INTERNATIONAL SIZE OF THE HAMPTON ROADS ECONOMY
(Billions of Dollars in Purchasing Power Parity, 2000)



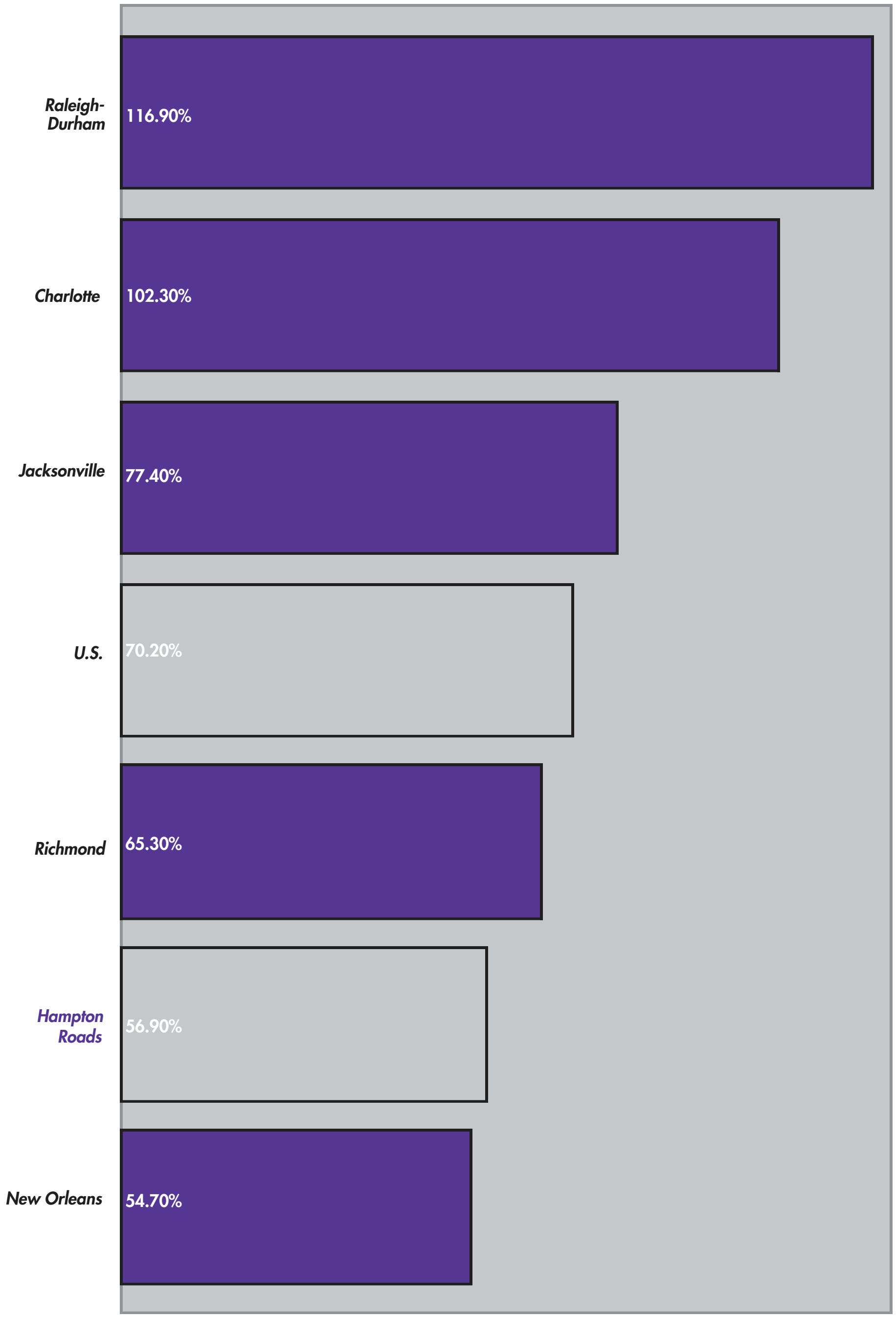
Sources: World Bank and Old Dominion University Economic Forecasting Project

Graph 2
COMPARATIVE METRO SIZE OF THE HAMPTON ROADS ECONOMY
(Gross Product, Billions of Dollars, 2000)



Sources: Standard and Poor's DRI and Old Dominion University Economic Forecasting Project

Graph 3
COMPARATIVE ECONOMIC GROWTH
(Gross Product Increase From 1990 to 2000)

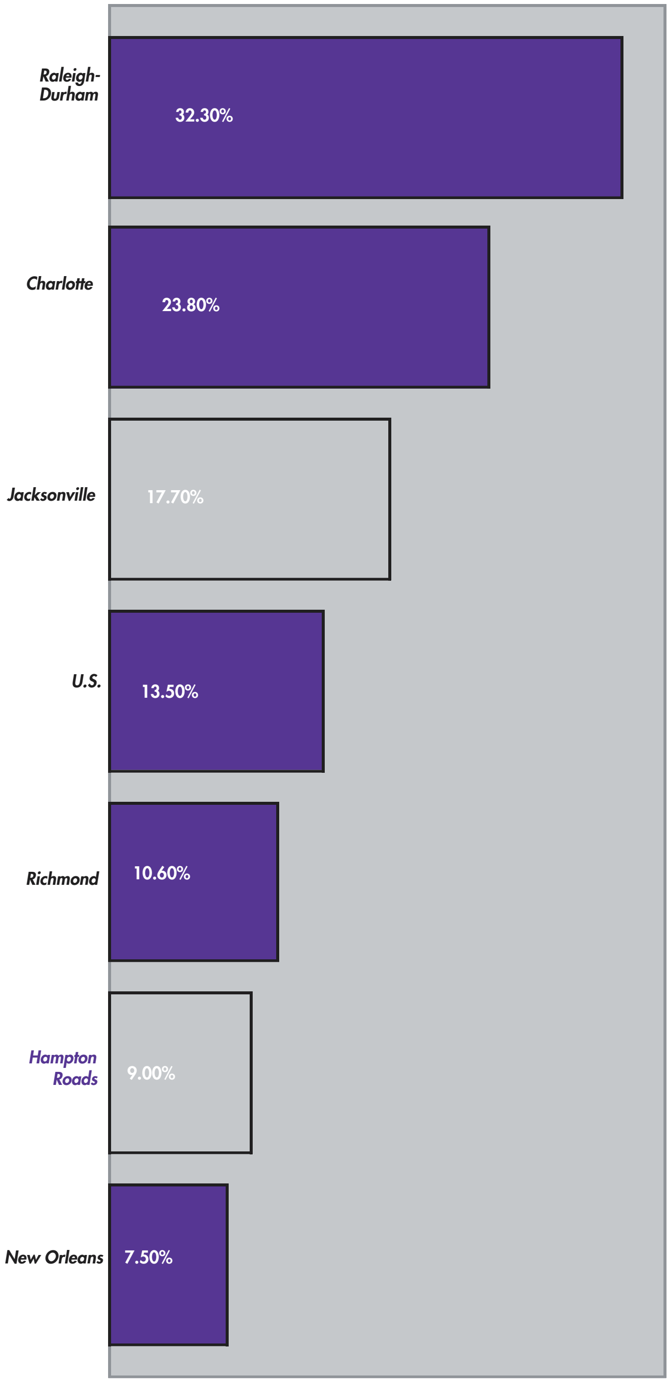


Source: Old Dominion University Economic Forecasting Project

Graph 4

NET BUSINESS FORMATION

(Percent Increase in Business Establishments, 1992 to 1999)



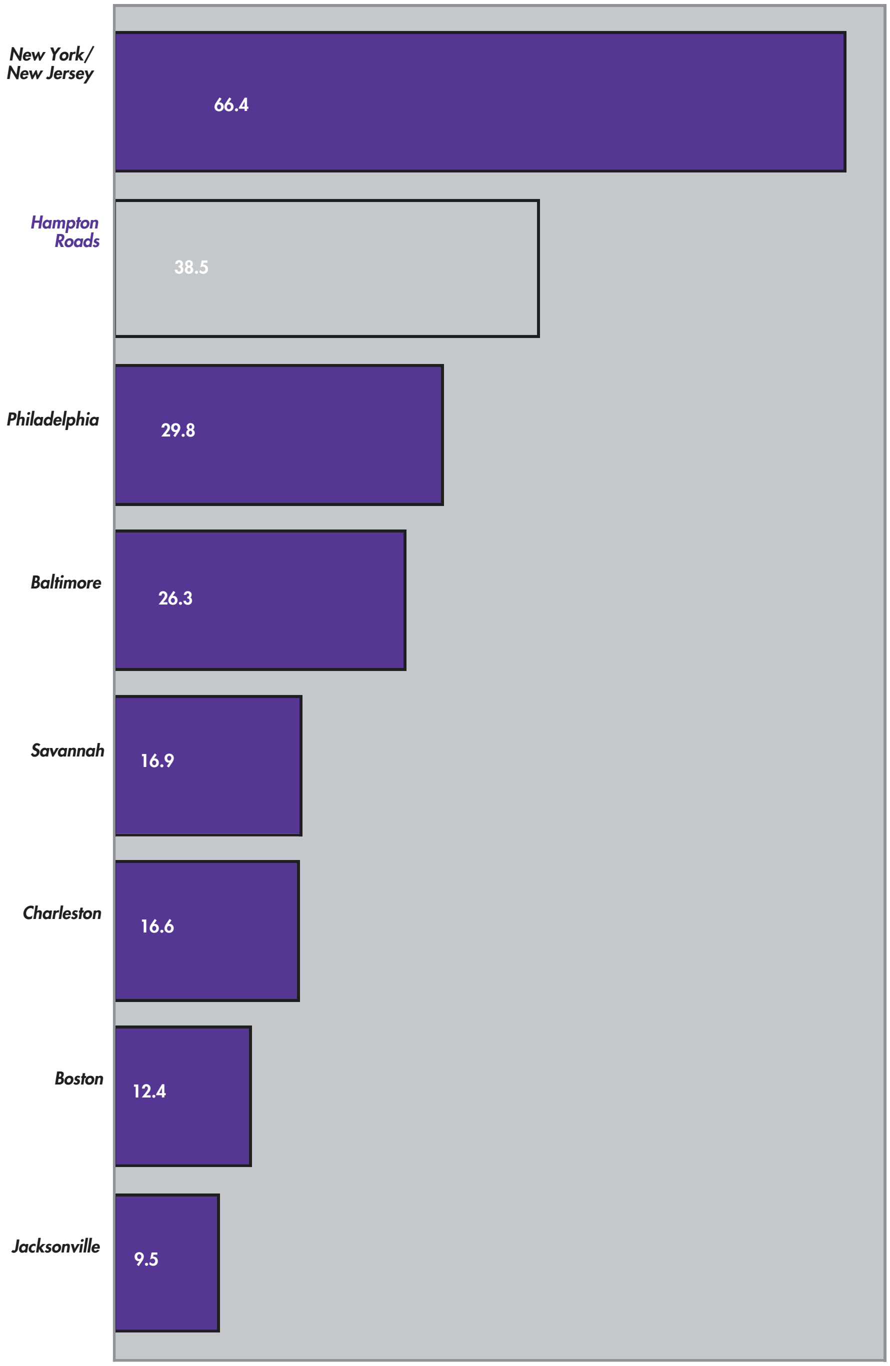
Sources: U.S. Department of Housing and Urban Development, U.S. Department of Commerce, Bureau of the Census and Old Dominion University Economic Forecasting Project

Hampton Roads And The Global Economy

In 2000, Hampton Roads ranked as the second-largest foreign trade port on the U.S. East Coast (see Graph 5), the 10th-largest in the United States, and among the top 50 largest ports in the world, based on cargo tonnage. Ironically, despite Hampton Roads' stature as a world-class port and its relatively large economy, the region maintains a modest profile with respect to the international export of goods actually produced in the region. As Graph 6 reports, only 2.8 percent of the region's gross product is exported to foreign nations. Hampton Roads businesses have considerable room to grow in the export market. In fact, the situation used to be much worse. Much of the region's export development has occurred since 1993; from 1993 to 1999, Hampton Roads' exports, as a proportion of the region's output, more than doubled.

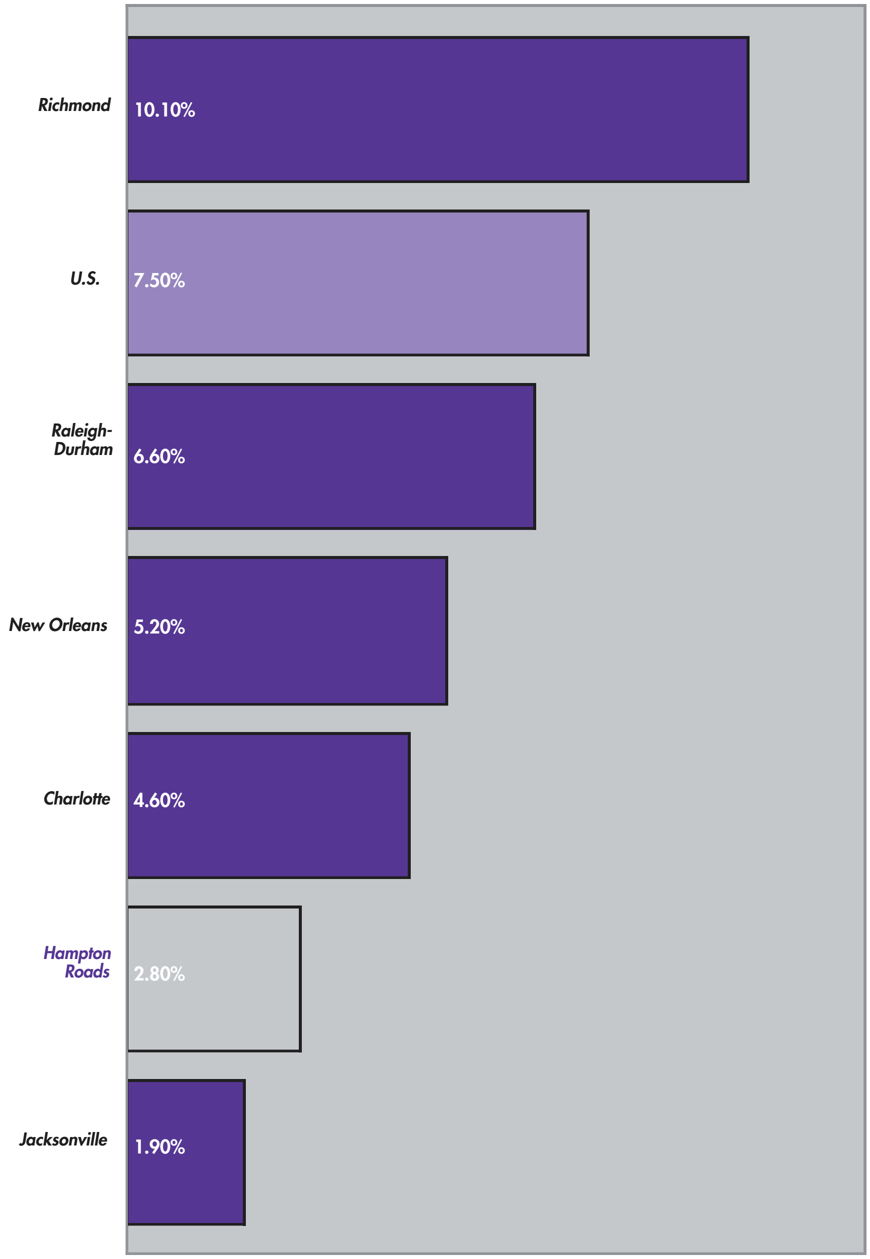
Of all products produced in Hampton Roads for export, 46.8 percent go to its top five export partners. Graph 7 shows that **Canada is the region's leading export partner. Canada's importance to the region's economy is further highlighted by its effect on tourism. Canadian visitors to Hampton Roads contribute almost $100 million in regional economic activity annually.**

Graph 5
FOREIGN CARGO IN U.S. EAST COAST PORTS
(Cargo Volume in Millions of Short Tons, 2000)



Sources: U.S. Army Corps of Engineers and American Association of Port Authorities

Graph 6
HAMPTON ROADS MERCHANDISE EXPORTS
(Goods Exports as a Percent of Gross Product, 1999)

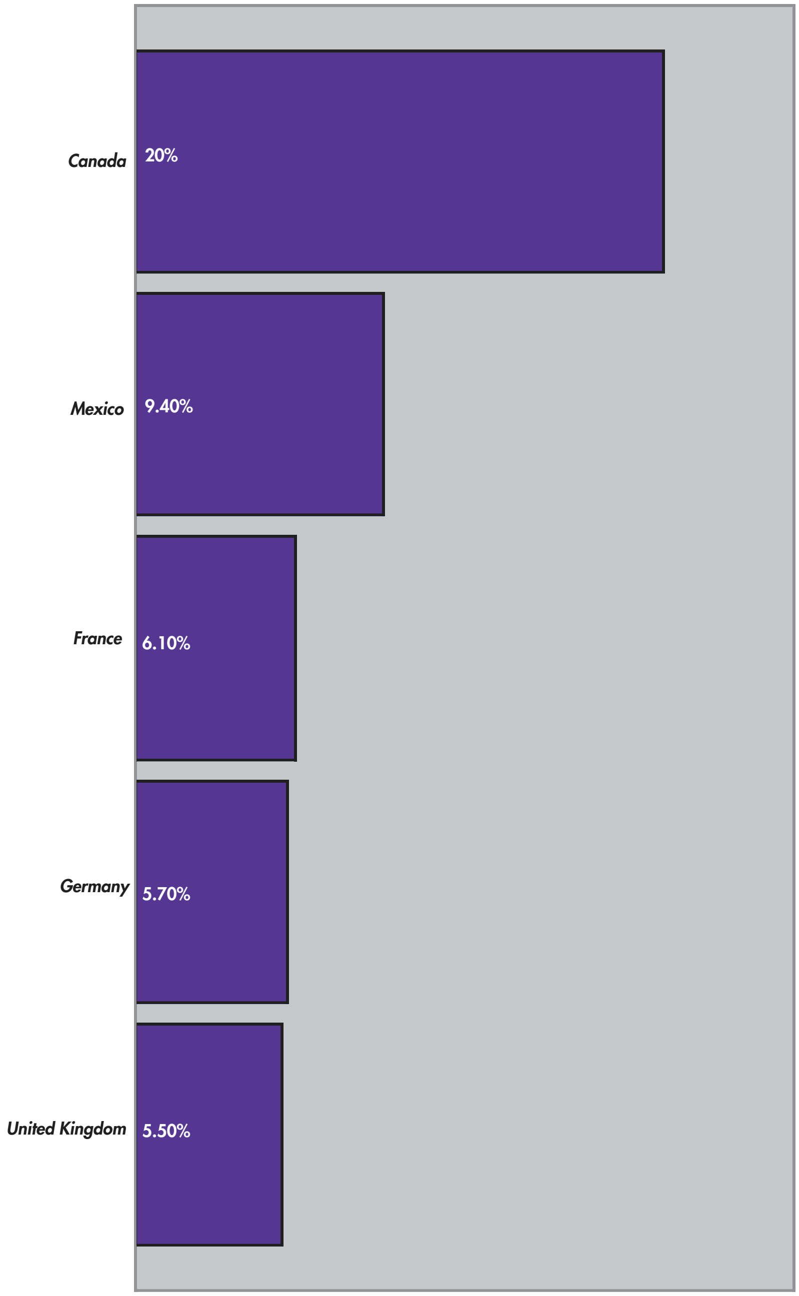


Sources: U.S. Department of Commerce, Bureau of the Census and Old Dominion University Economic Forecasting Project

Graph 7

HAMPTON ROADS' TOP EXPORT PARTNERS

(Top Five Receiving Countries as a Proportion of Hampton Roads' Total Goods Exports,1999)



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

The High-Tech Economy

Hampton Roads' civilian employment in high-technology jobs is only one-third that of San Jose (the nation's metropolitan leader). Nonetheless, **the region ranks 33rd, or in the top 10 percent, among 315 U.S. metropolitan areas in proportional high-tech employment.** Graph 8 shows that on a proportionate basis, Hampton Roads boasts more high-tech jobs than the average American metropolitan area. The region exceeds both Richmond and Charlotte in that regard.

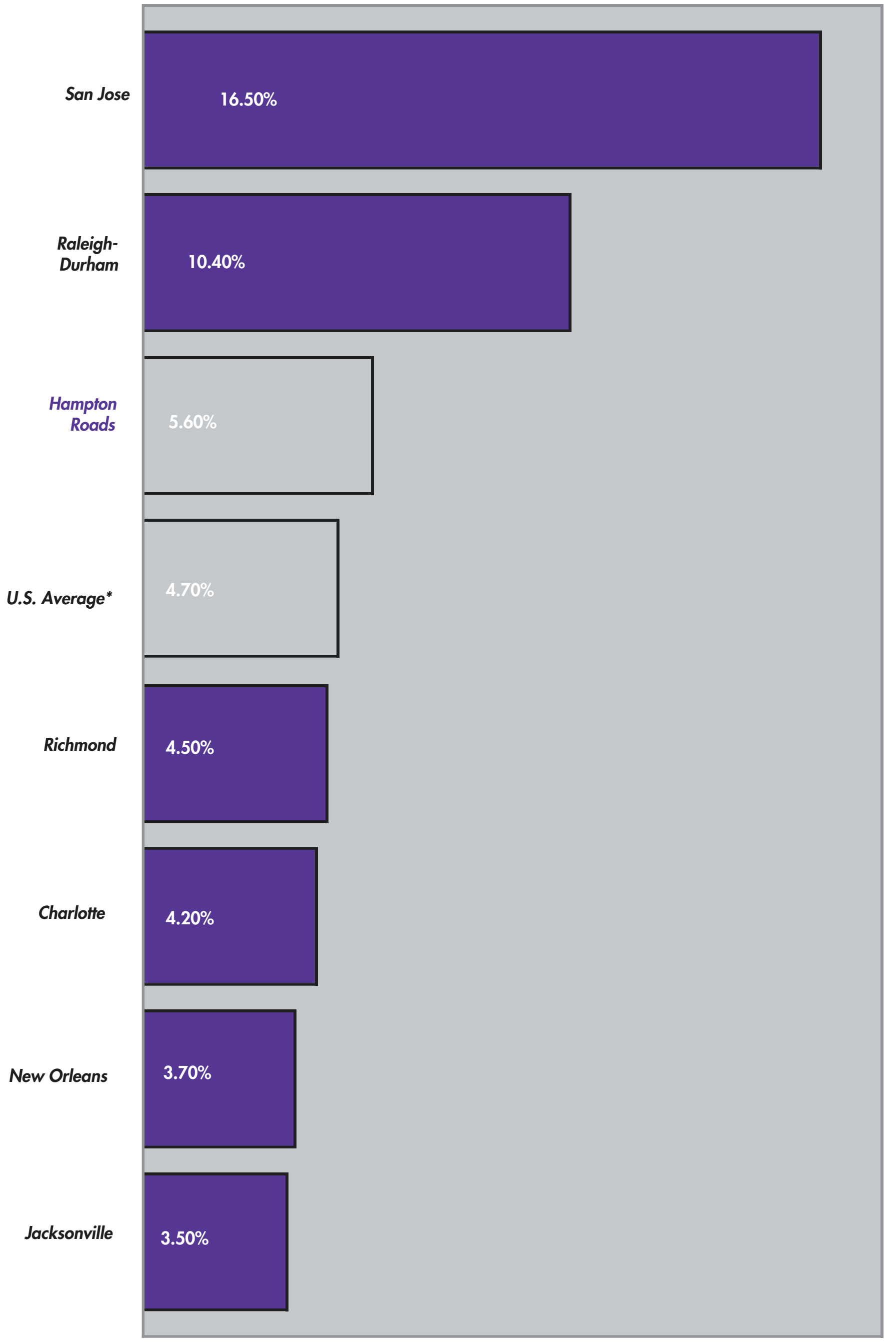
Despite Hampton Roads' relatively strong ranking in high-technology occupations, its regional production of new patents – an important indicator of the creation of new knowledge and products – is below the national average. As Graph 9 illustrates, Hampton Roads ranks far below the nation's leader, San Jose, and well below regional competitor Raleigh-Durham. The data strongly imply that high-tech employers in Hampton Roads are more apt to apply existing technology than to create new knowledge and products.

Patent production and the creation of new knowledge can be further enhanced by university research. Again, however, Hampton Roads lags behind the national average and far behind national metropolitan leaders such as Raleigh-Durham and San Jose.

Within Hampton Roads, patent production is heavily concentrated on the Peninsula. Over the period 1995-99, NASA has been the leading producer of patents in the region.

Nationally, universities are among the most important sources of technological innovation. Research universities attract research and development funding, act as magnets for new firms and generate a prolific number of jobs. Hampton Roads' standing in this arena is no better than mediocre. As Graph 10 demonstrates, the region's federal university research and development funding is a nontrivial amount (more than $60 million annually), but it badly trails national averages. North Carolina's Research Triangle universities (North Carolina, North Carolina State and Duke) dwarf Hampton Roads' academic institutions. Indeed, their activities dwarf any Virginia institution, or combination of institutions in all of Virginia. The decision several decades ago by the state of North Carolina to invest significant resources in what was to become the Research Triangle must rank among the wisest investments made by any state. It begs comparison with the miserly support for academic research evinced by the Commonwealth of Virginia, past and present. **It also suggests that over the years when Hampton Roads legislators "brought home the bacon" to the region, they seldom included significant research funding beneficial to the region's universities. Hampton Roads now is paying for their lack of foresight.**

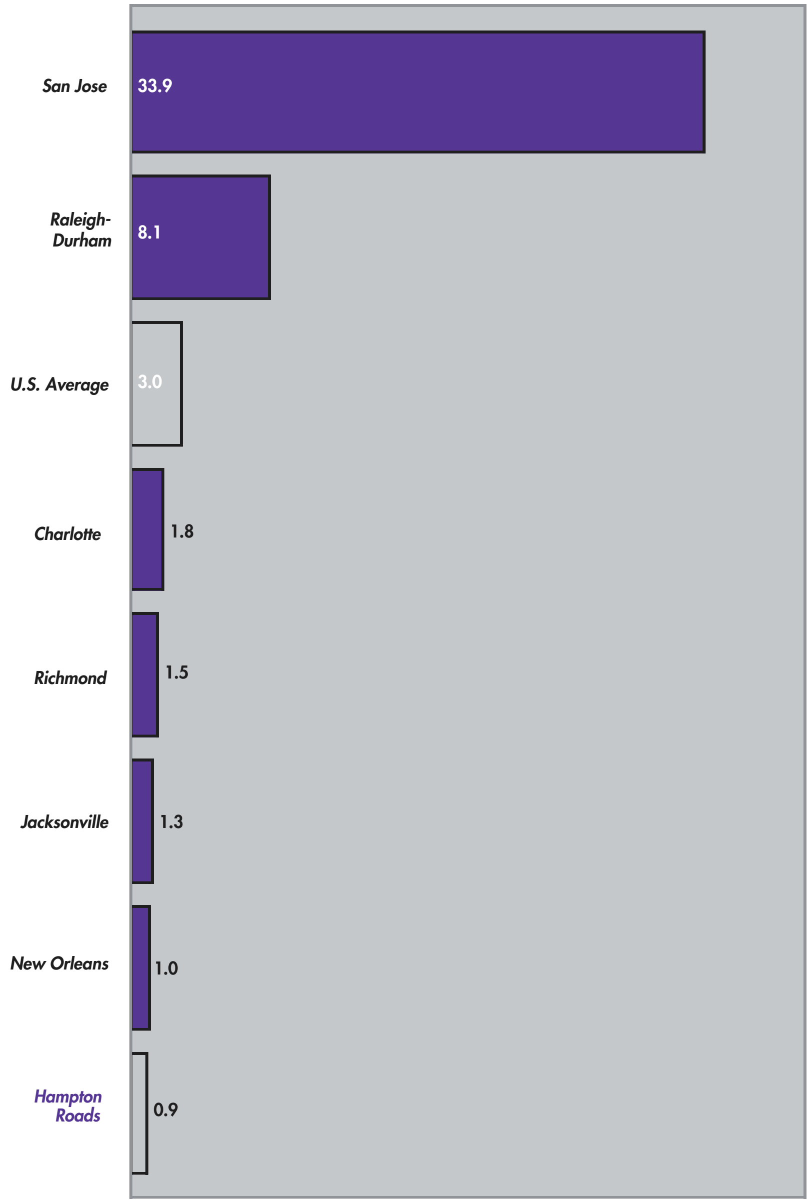
Graph 8
HIGH TECH JOBS
(High-Technology Occupations as Percent of Total Civilian Employment, 1999)



*Metropolitan area average

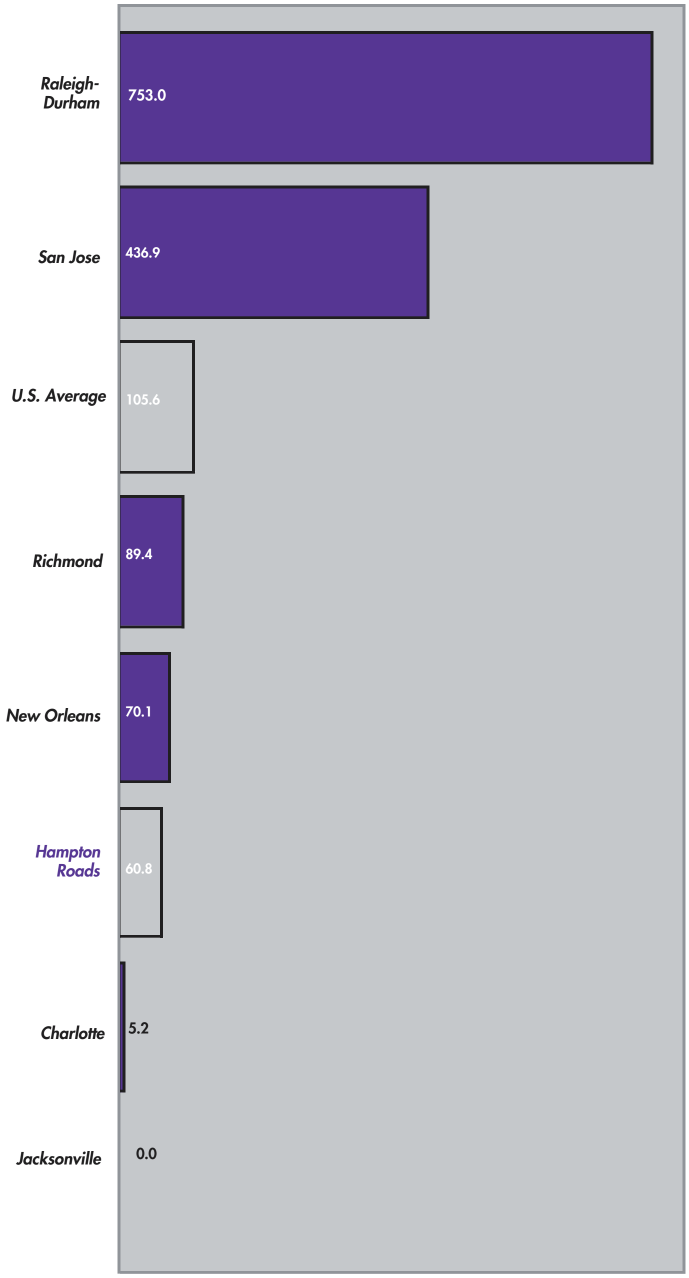
Sources: National Science Foundation, U.S. Office of Technology Assessment, U.S. Department of Labor and Old Dominion University Economic Forecasting Project

Graph 9
PATENTS RECEIVED
(Utility Patents Per 10,000 Residents, 1999)



Sources: U.S. Patent and Trademark Office, Bureau of the Census and Old Dominion University Economic Forecasting Project

Graph 10
FEDERAL RESEARCH AND DEVELOPMENT GRANTS AT UNIVERSITIES IN HAMPTON ROADS
(Total University Research Grants in Dollars Per Capita, 2000)



Sources: National Science Foundation and Old Dominion University Economic Forecasting Project

The Work Force

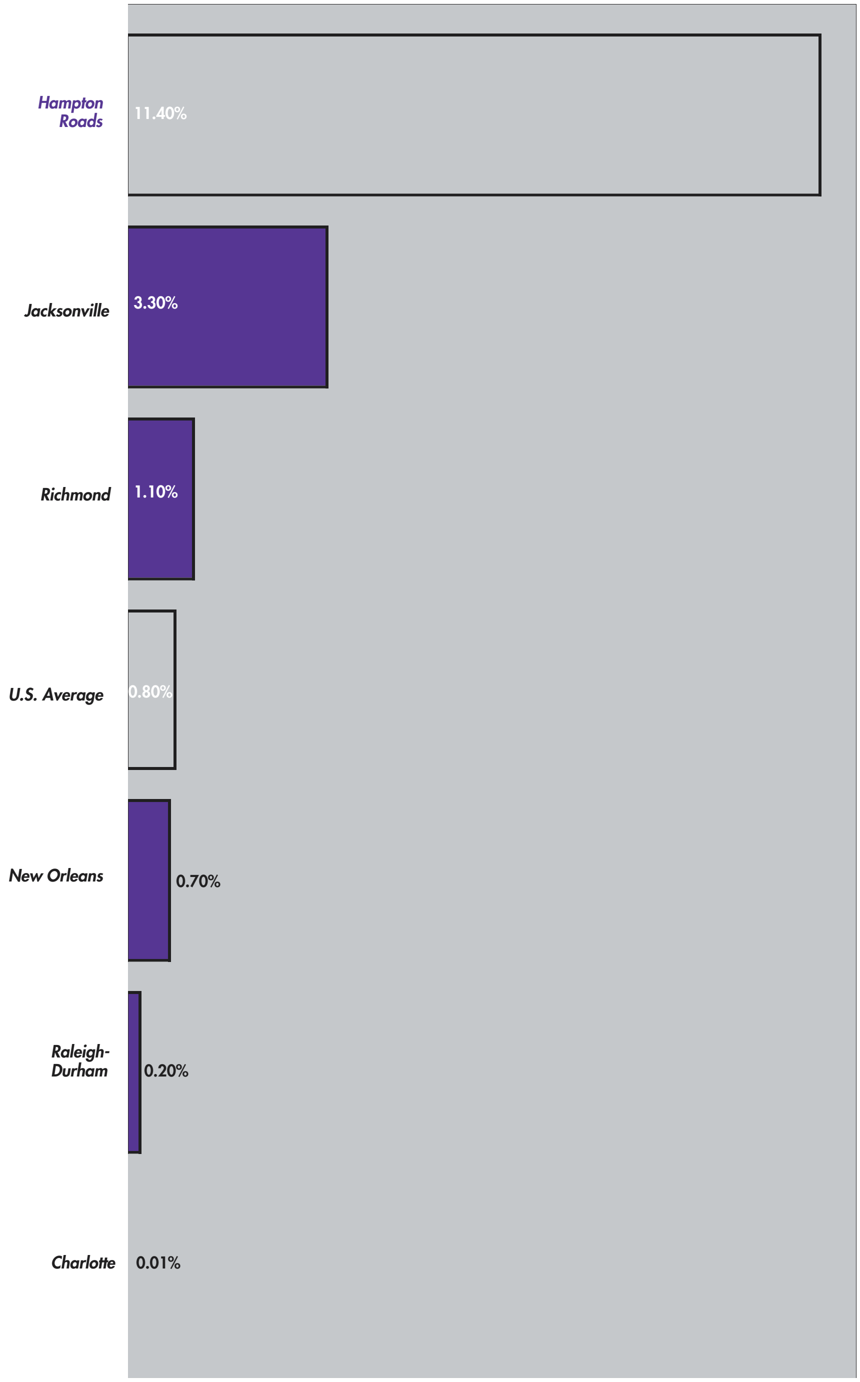
More than half of the individuals in Hampton Roads' labor force owe their jobs either directly or indirectly to the defense, tourism or port-related industries. **Active-duty military personnel, the most visible component of regional defense spending, alone constitute more than 11 percent of the Hampton Roads work force (see Graph 11). This figure far exceeds the national average of .8 percent.**

As is true in most Southern metropolitan areas, Hampton Roads is not heavily unionized. **Only 6.8 percent of the region's labor force is unionized, compared to the national average of 13.9 percent (see Graph 12).** Further, union presence in Hampton Roads is heavily concentrated in the port and manufacturing sectors of the region's economy and in the public sector. Unionization is sparse in other industries and occupations. Hampton Roads has a healthy number of professional and technical workers and this tends to inhibit the growth of unions (Graph 13). Additionally, many of the region's professional and technical employees work for firms that have defense contracts, and these workers traditionally have been less susceptible to unionization.

Despite the relatively heavy concentration of professional and technical employees in Hampton Roads, the region does not rank high in terms of its overall pool of highly educated workers. This is especially true when one focuses upon the college-educated population. Although its proportion of college-educated workers rose to 23.9 percent from 20.1 percent in 1990, as Graph 14 illustrates, Hampton Roads continues to trail the national average (25.1 percent), Richmond (29.2 percent) and Northern Virginia (46.6 percent). **In general, the region's labor force is not highly educated.**

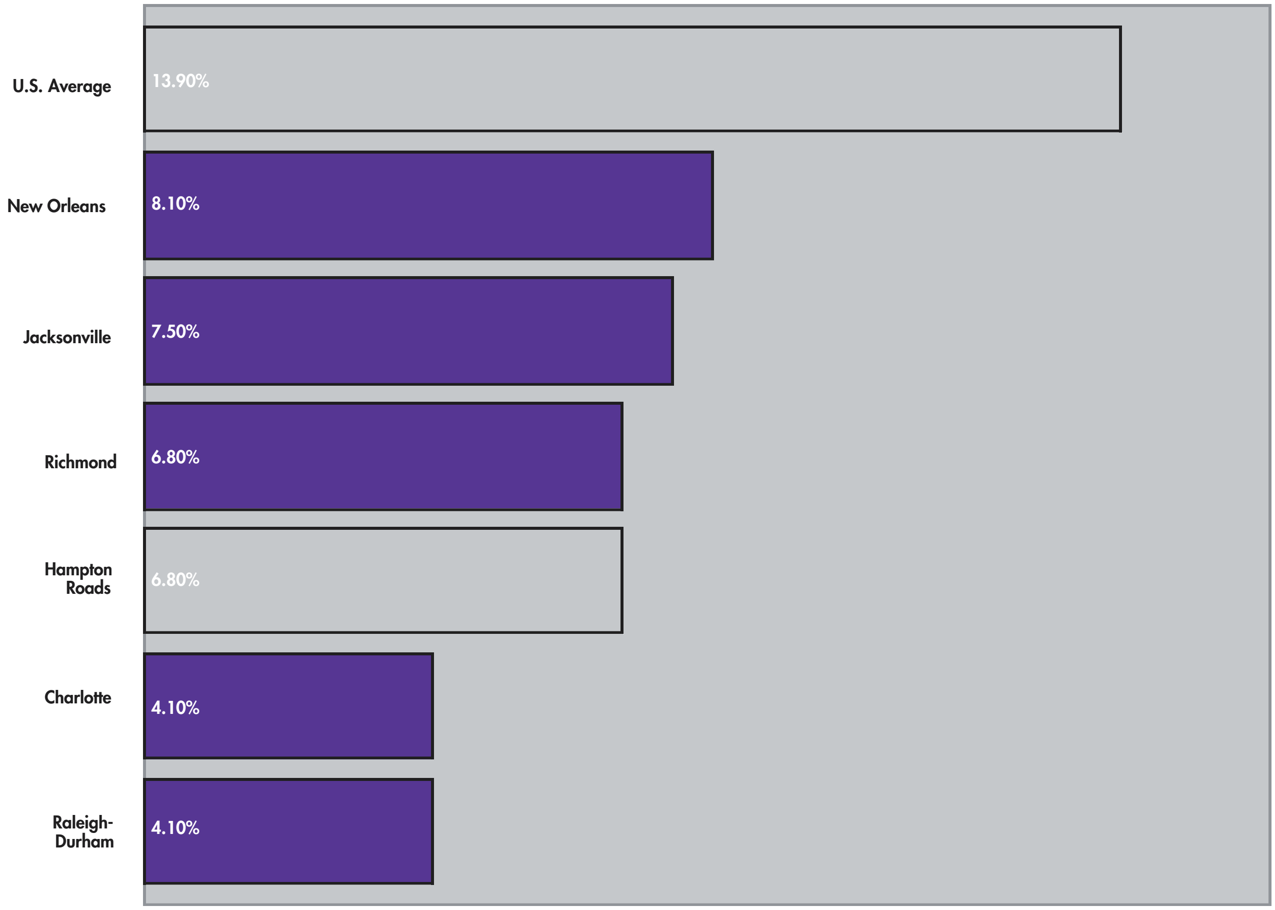
Hourly wages in Hampton Roads for workers who are not in the military are about 10 percent below the national average and about 16 percent below the Richmond metropolitan area (see Graph 15). The region makes up for this in several ways. First, the labor force participation rate in Hampton Roads is higher than the national average. That is, more eligible people enter the labor force in Hampton Roads than in many other regions. For example, Hampton Roads has a higher proportion of situations where both parents in a family work. Second, employees in Hampton Roads tend to work a healthy number of hours compared to other regions nationally.

Graph 11
ACTIVE-DUTY MILITARY PERSONNEL
(Percent of the Labor Force, 2000)



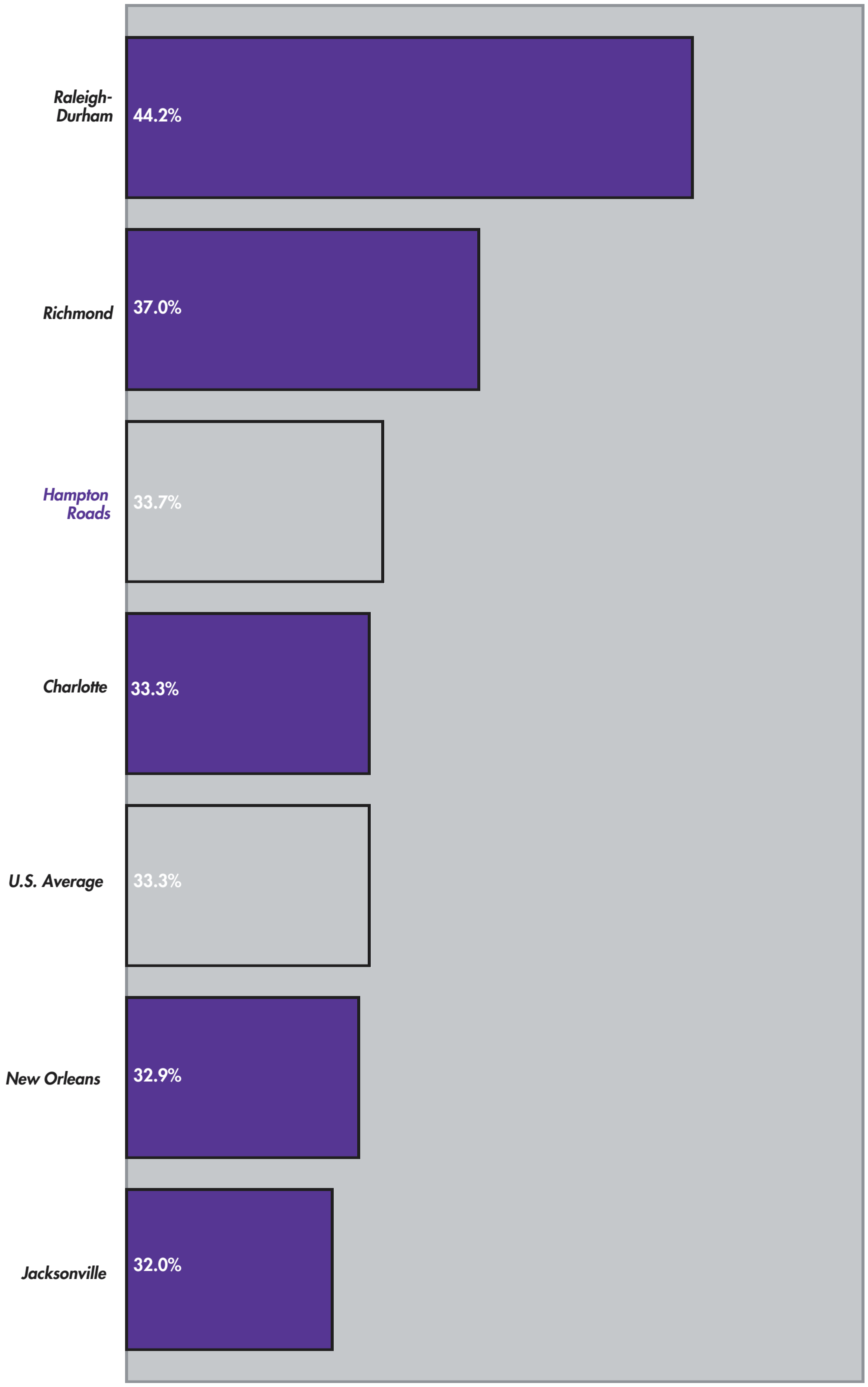
Sources: U.S. Department of Defense, Bureau of the Census and Old Dominion University Economic Forecasting Project

Graph 12
LABOR UNION MEMBERSHIP
(Percent of the Labor Force, 1998)



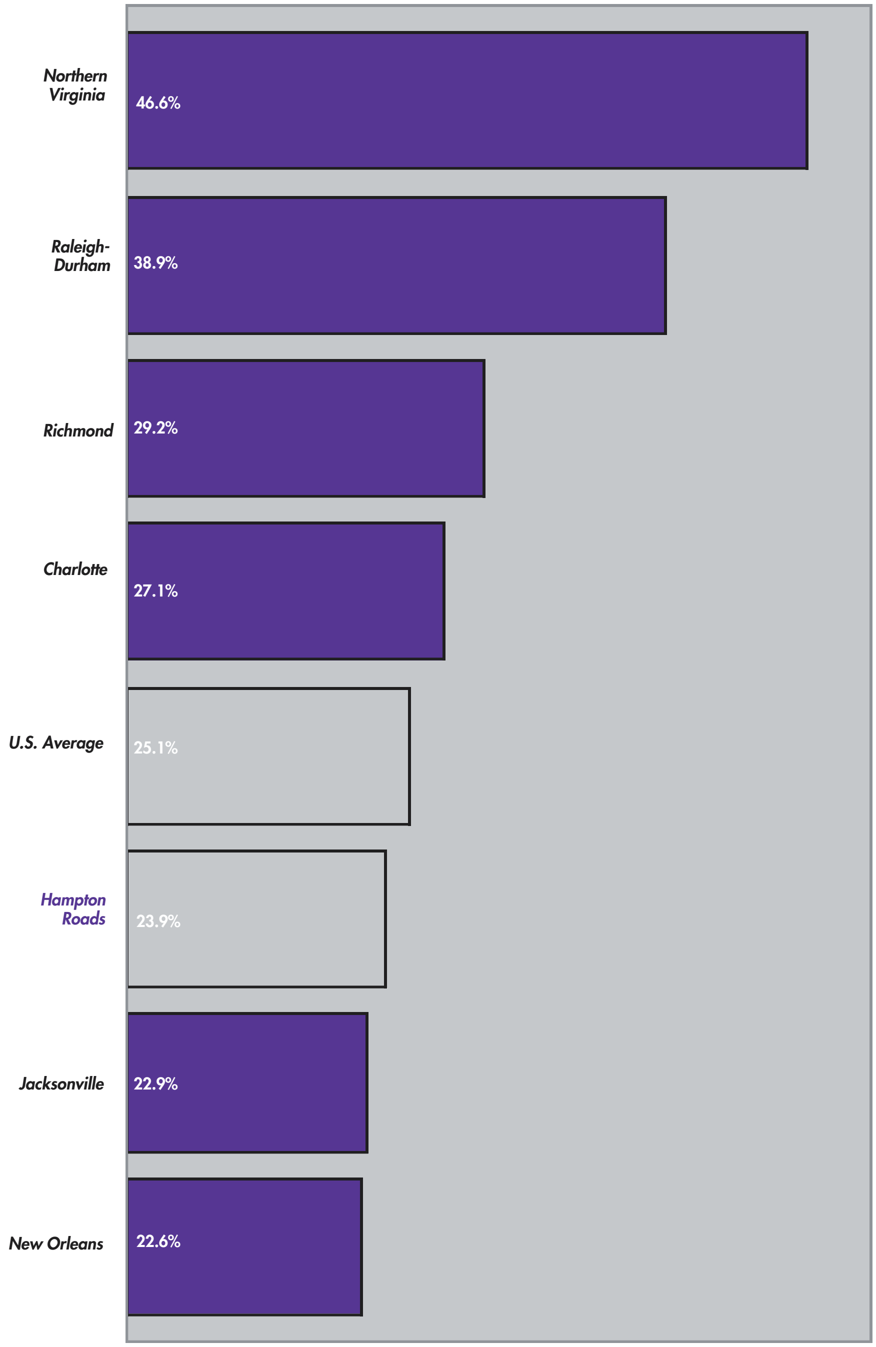
Sources: U.S. Bureau of Labor Statistics and Old Dominion University Economic Forecasting Project

Graph 13
PROFESSIONAL, MANAGERIAL AND TECHNICAL WORKERS
(Percent of the Labor Force, 2000)



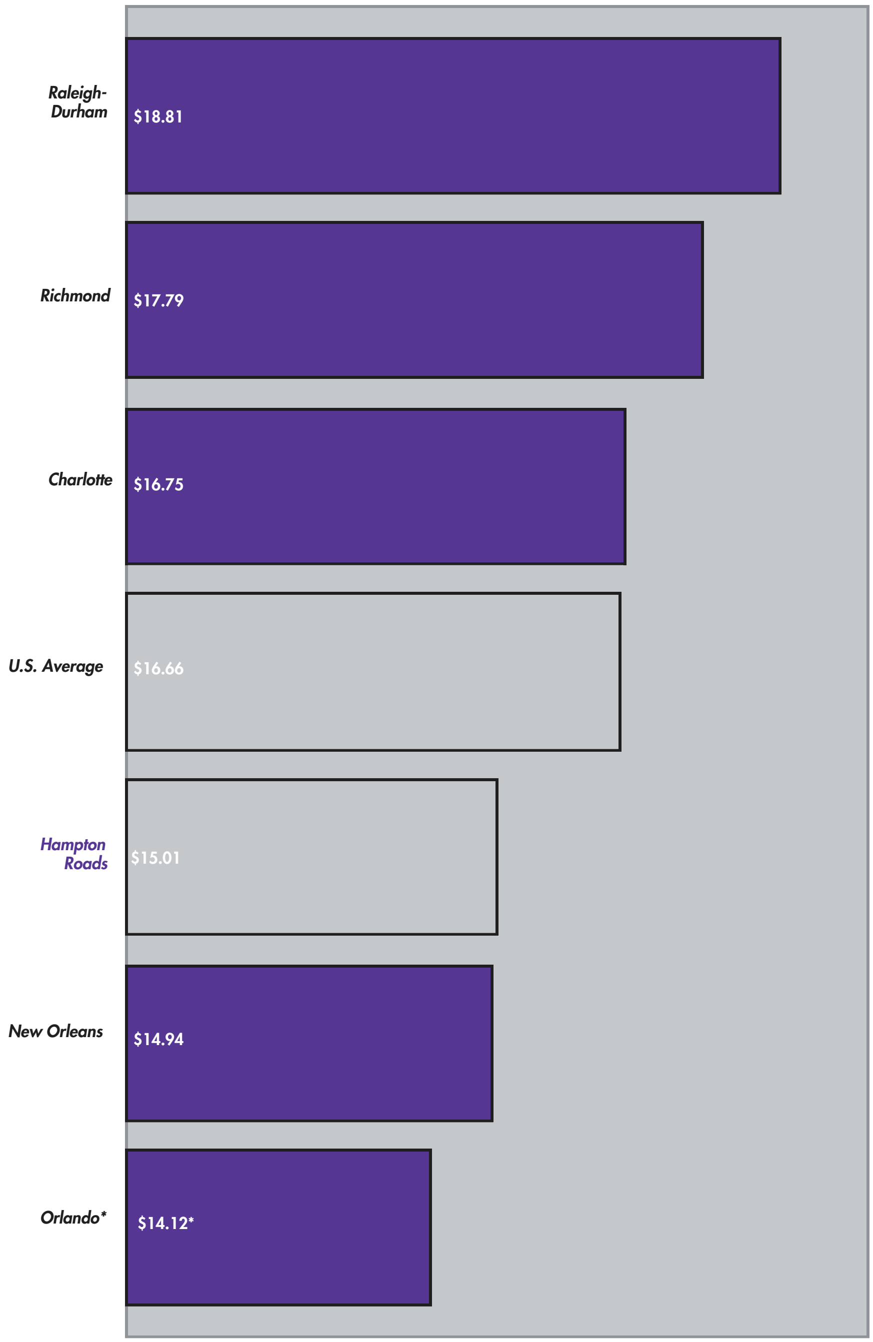
Sources: U.S. Department of Commerce and Bureau of the Census

Graph 14
PERCENT OF LABOR FORCE COMPOSED OF COLLEGE GRADUATES
(25 Years or Older, 2000)



Source: U.S. Department of Commerce and Bureau of the Census

Graph 15
AVERAGE HOURLY WAGE RATES
(Private and Government Full-Time Employees, 2000)



* Jacksonville data were not available

Sources: U.S. Department of Labor and National Compensation Survey, 2000

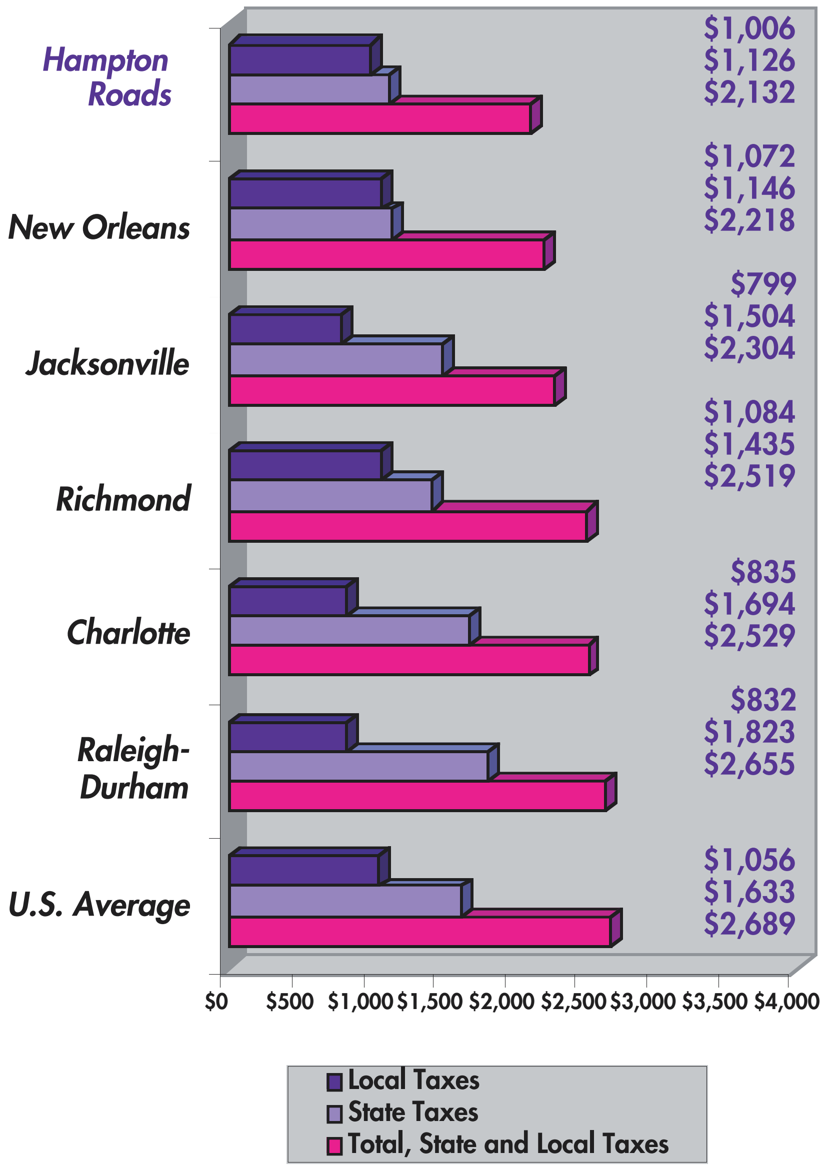
Government Finance

What about taxes in the region? When all is said and done, Hampton Roads' local governments collect about 5 percent less in taxes annually ($1,006) than the national average. Nonetheless, this places the region well above that of a number of its economic-development competitors. However, as we point out in a succeeding chapter that focuses solely upon taxation in Hampton Roads, the most critical tax burden comparison includes both local and state government taxes. Depending upon the location, state governments may be primarily responsible for some expenditures (say, for K-12 education), while in other areas the reverse is true. Hence, low regional tax rates and expenditures may mean high state tax rates and expenditures, and vice versa. Thus, **one should give more attention to the sum of state taxes and local taxes when comparing tax burdens (see Graph 16).**

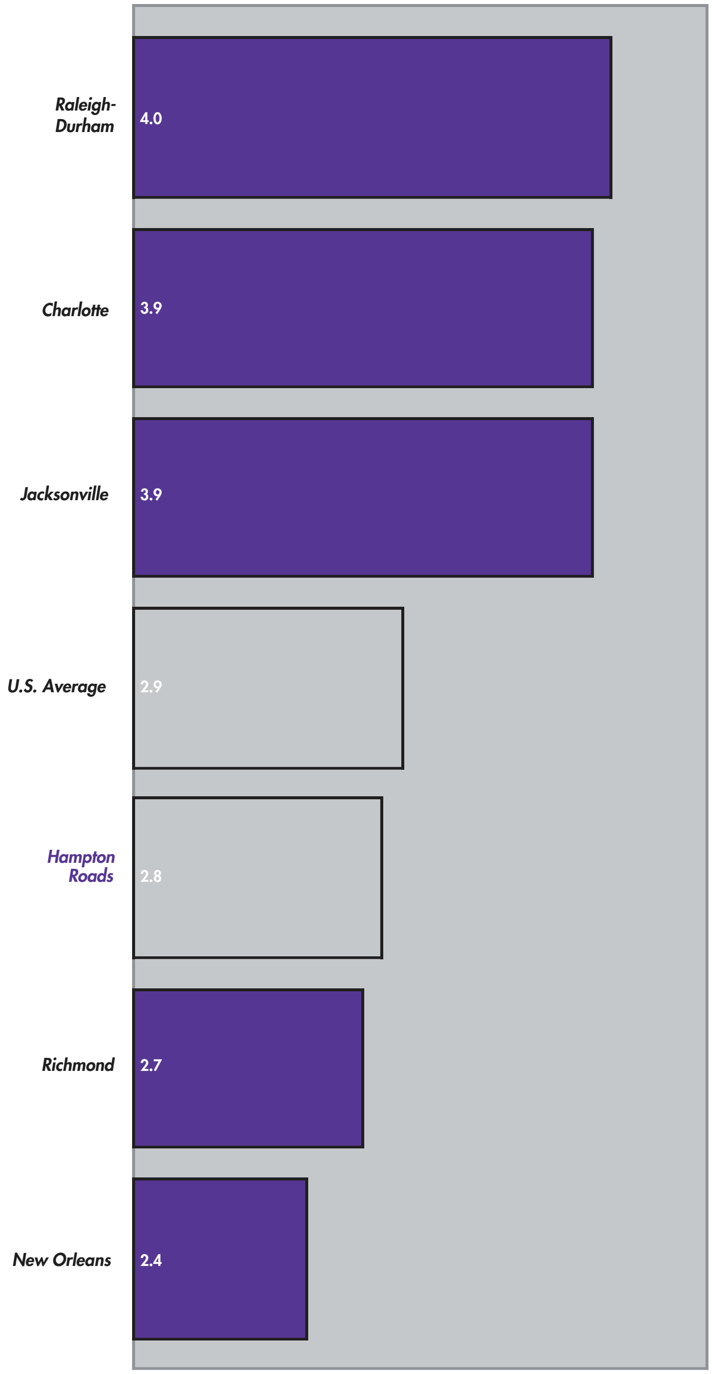
It goes almost without saying that what is taxed is spent. However, the typical government annually spends far more than it directly taxes because it also incurs debt. Most often, local governments go into debt to pay for schools, roads, stadiums and cultural facilities that will endure for many years into the future. The rationale, therefore, is that it is appropriate for local governments to go into debt in order to pay for such items. In so doing, they force future generations to pay for things that they believe will substantially benefit future generations. Of course, governments also can go into debt for items that have little or no future impact (current operating expenditures), but that is somewhat unusual. In any case, the ratio of local-government expenditures to tax collections often reflects both the effects of population and economic growth and individual regions' taste for debt. As Graph 17 demonstrates, regions such as Raleigh-Durham have chosen to finance increased spending, much of which is the result of rapid economic growth, through debt issue. This results in a higher expenditure-to-tax ratio and greater debt. On the other hand, **Hampton Roads has not relied so much on debt to accomplish its goals. Query whether this reflects a philosophical difference or, instead, lagging population and economic growth.**

It is worth noting that Hampton Roads, in the fashion of many Southern metropolitan areas, lags the nation in spending per capita for primary and secondary (K-12) schools. Nonetheless, as Graph 18 shows, Hampton Roads ranks ahead of all the cities in its comparison group. Cost-of-living differences may account for some of the observed gap. Nonetheless, there now exists an extensive body of research on the connection between education and economic growth. Education spending levels are positively related to economic growth. This suggests that Hampton Roads, along with other Southern cities, either must increase its spending for K-12 education or fall behind other regions in economic growth.

Graph 16
STATE AND LOCAL GOVERNMENT TAXES COLLECTED
IN SELECTED METROPOLITAN AREAS
(Per Capita 1997)

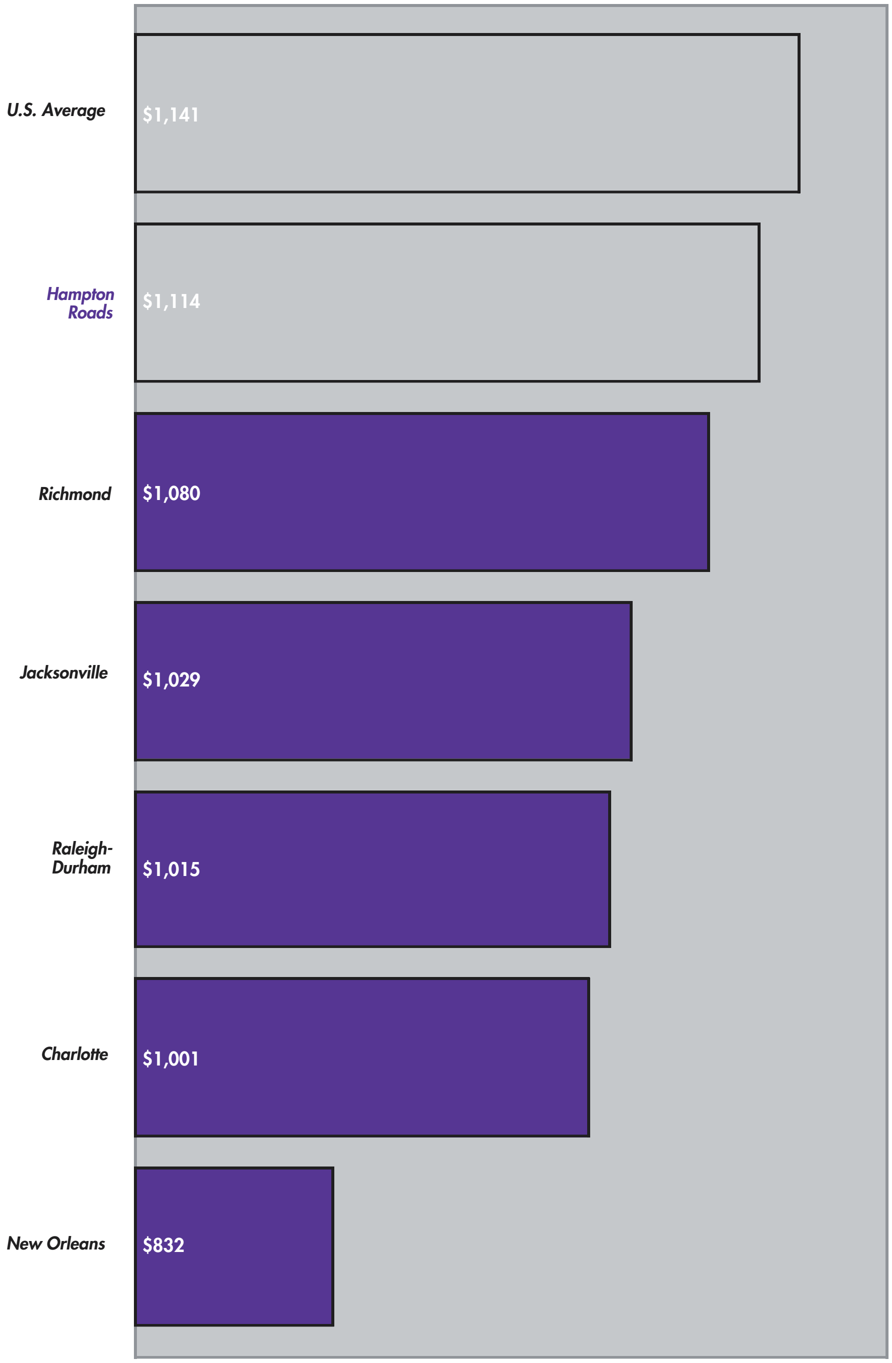


Graph 17
THE RATIO OF LOCAL GOVERNMENT EXPENDITURES TO TAXES IN SELECTED REGIONS



Sources: Bureau of the Census and
Old Dominion University Economic Forecasting Project

Graph 18
LOCAL GOVERNMENT K-12 EDUCATION EXPENDITURES
(Per Capita, 1997)



Source: Bureau of the Census and Old Dominion University Forecasting Project

Getting Around

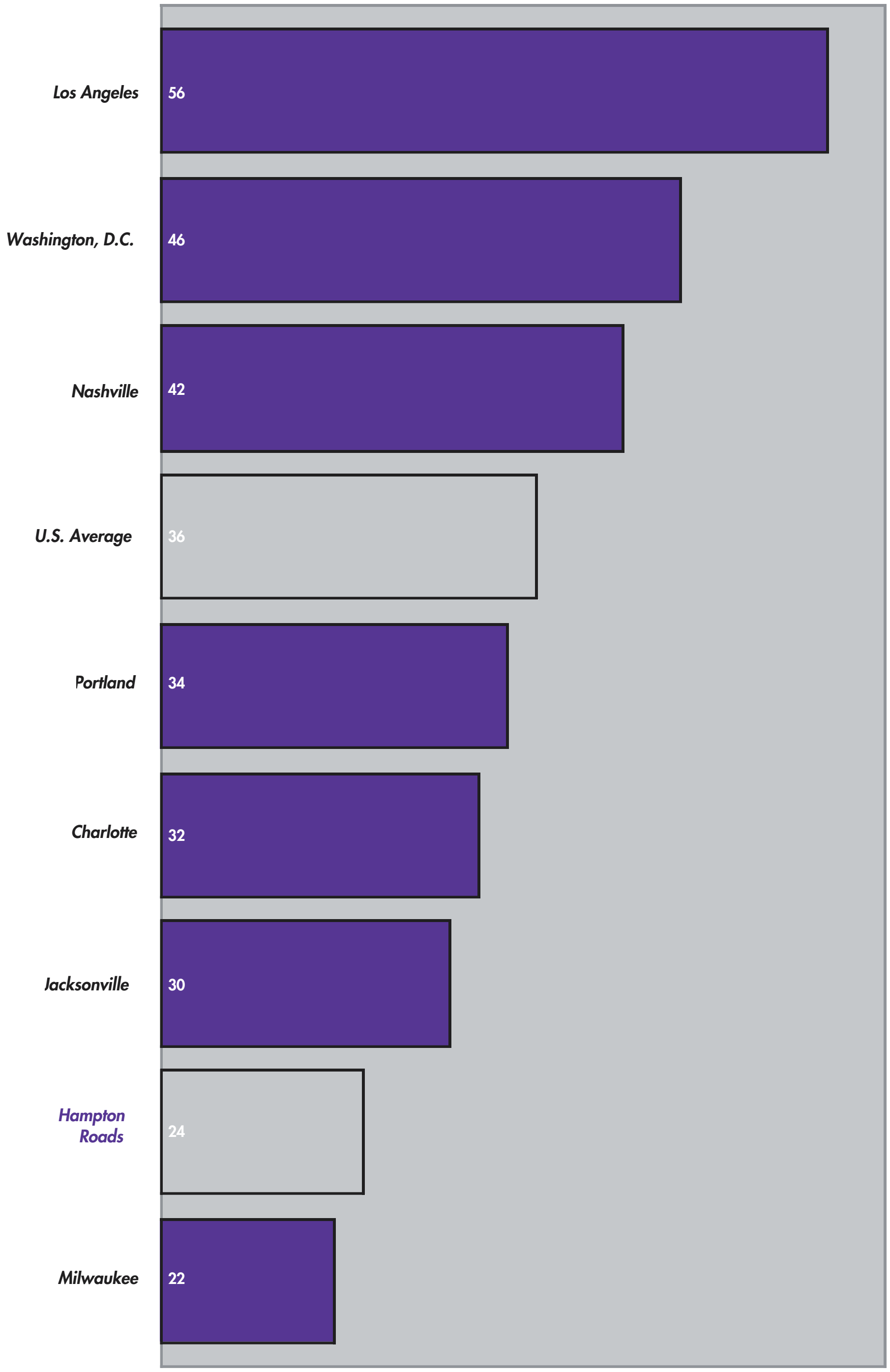
Traffic congestion within Hampton Roads, as in other major metropolitan areas, is a growing problem. However, when compared to other regions, Hampton Roads drivers experience considerably less time waiting in traffic (see Graph 19). For example, this region loses only about 40 percent of the time that Los Angeles, the most congested metropolitan area, loses annually. Further, this region loses only about two-thirds of the annual time lost in the largest one-fifth of U.S. metropolitan areas. Even residents of Portland, Ore., which has constructed a much-acclaimed public transit system, spend almost 50 percent more time sitting in traffic than do drivers in Hampton Roads.

In recent years, traffic congestion has increased significantly in metropolitan areas throughout the United States. Graph 20 depicts what has been true in this regard in major metropolitan areas for the time period 1982 to 1999. Compared to other large metropolitan areas, Hampton Roads has done a better job than most in keeping the traffic flowing. Whereas the average large metropolitan area has seen per capita time lost due to traffic congestion increase by an average of 25 hours per year, Hampton Roads lost only 13 additional hours during this time period.

Not only is Hampton Roads comparatively easier to get around in by automobile, but also its roads are safer than those in most regions. In 2000, the traffic fatality rate in Hampton Roads was only about half that of the national average. Graph 21 presents these data.

Like most comparable metropolitan areas in the South, **Hampton Roads makes limited use of public transportation. As Graph 22 illustrates, its development of public transport is only about 40 percent of the national average.** The region is notable for a struggling bus system and the absence of light-rail transportation. Hampton Roads residents will probably have to experience considerably more congestion before significant support for new public transportation initiatives materializes. When this occurs (and it is almost inevitable), the region will suffer because of its inattention to these problems in earlier years. As pointed out in last year's "State of the Region" report, mass transportation projects take many years to plan and construct. A host of environmental, political and financial constraints must be satisfied. Thus, the region now should be considering what mass transportation projects it wishes to have completed 10 or 15 years from today.

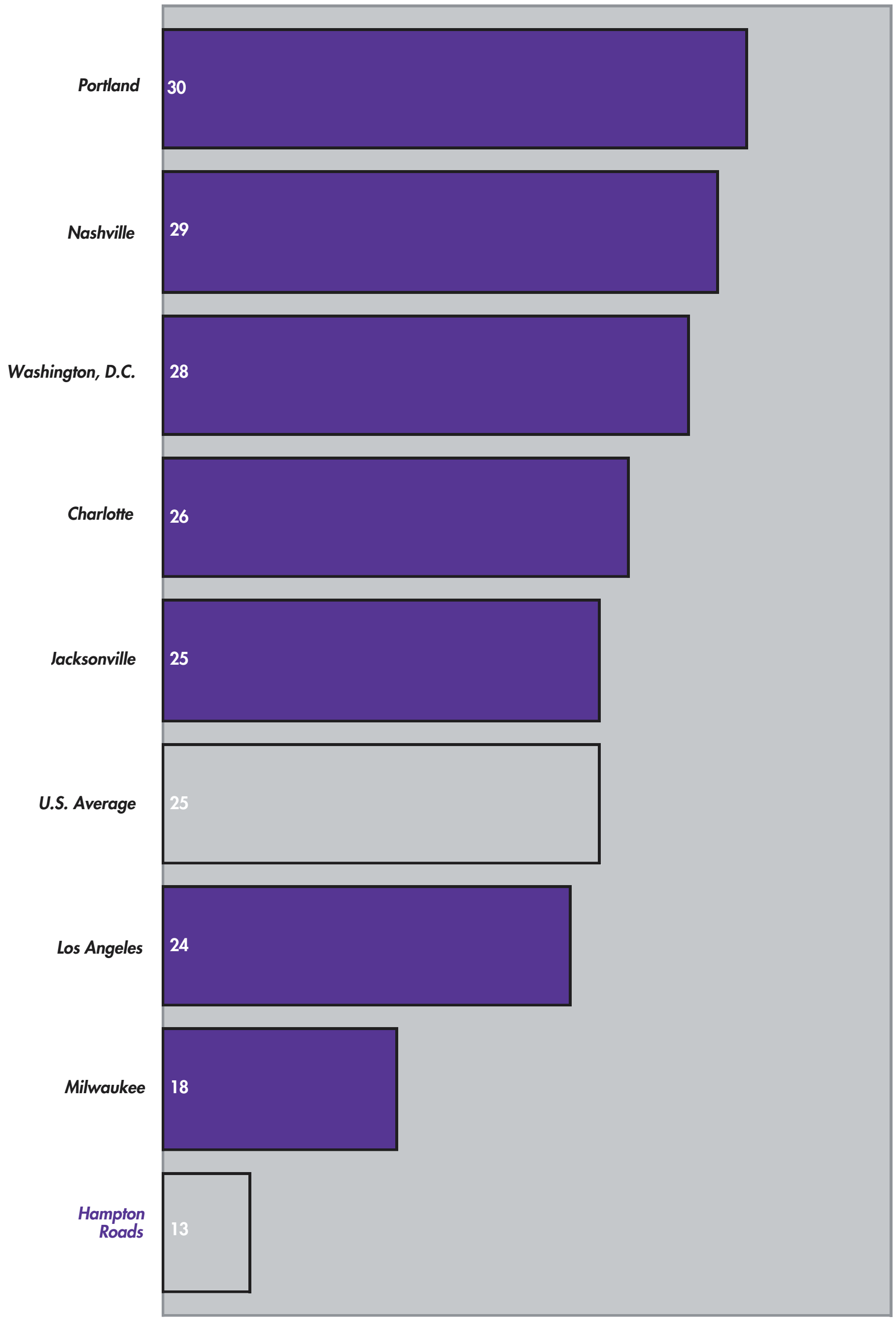
Graph 19
HOURS LOST IN TRAFFIC CONGESTION
(Per Person in Hours Per Year for 1999)



*Average of 68 U.S. metropolitan areas

Source: 2001 Urban Mobility Study, Texas A&M University, Texas Transportation Institute

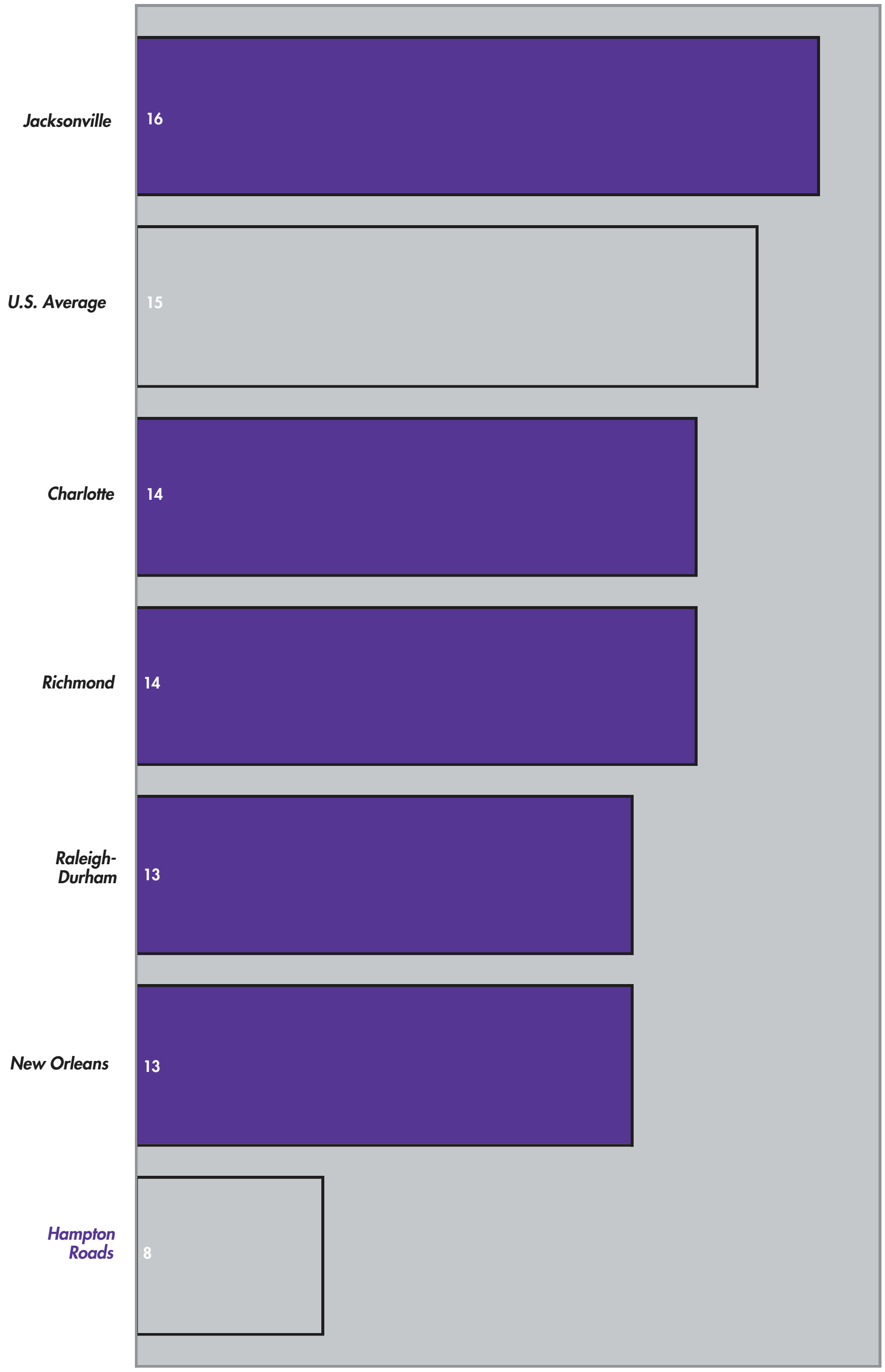
Graph 20
INCREASED HOURS LOST IN TRAFFIC CONGESTION
(Per Person in Hours Per Year From 1982 to 1999)



*Average of 68 U.S. metropolitan areas

Sources: 2001 Urban Mobility Study, Texas A&M University, Texas Transportation Institute, and Old Dominion University Economic Forecasting Project

Graph 21
TRAFFIC FATALITIES PER 100,000 RESIDENTS, 2000

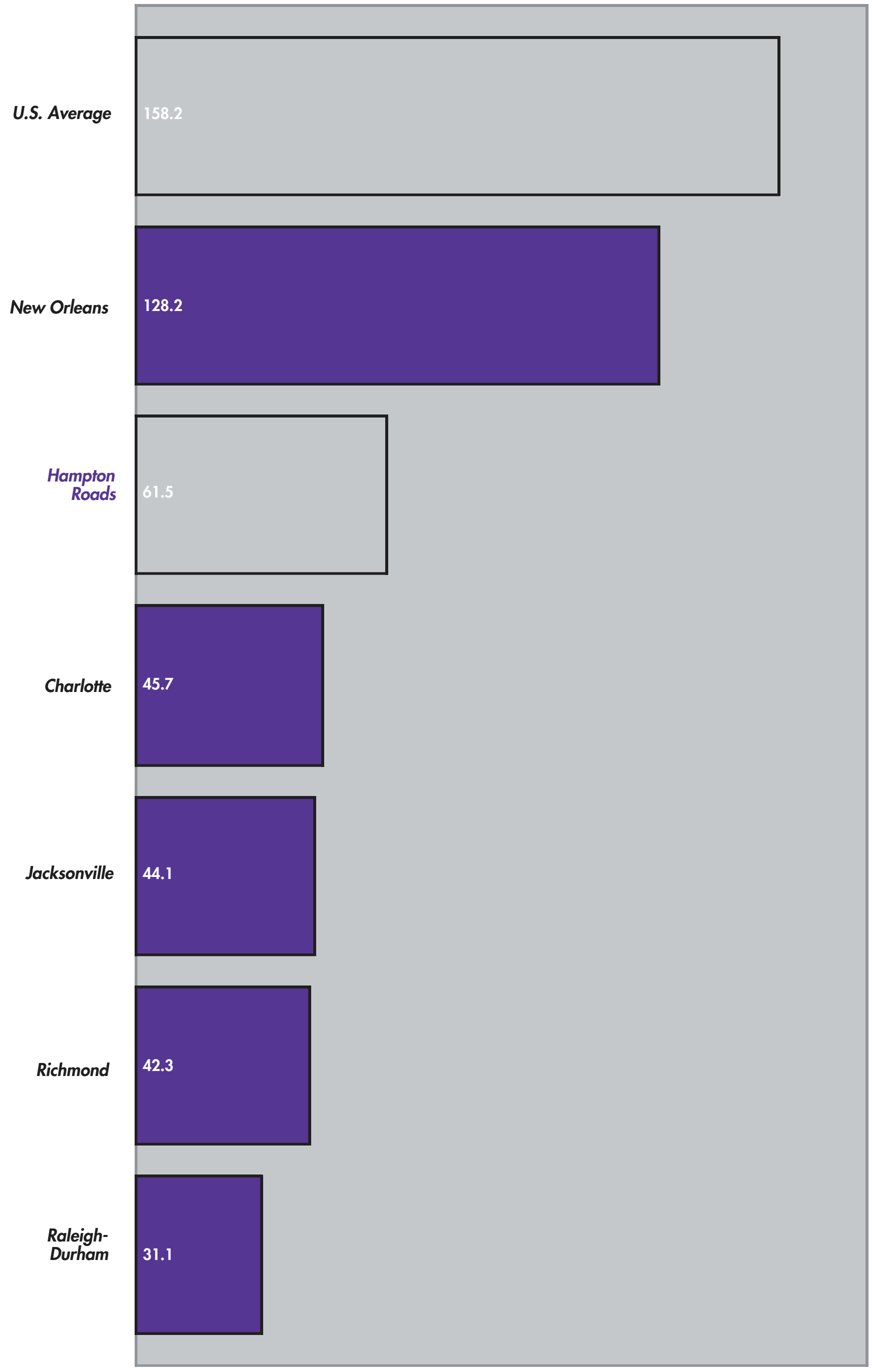


Source: National Highway Traffic Safety Administration

Graph 22

METROPOLITAN PUBLIC TRANSPORTATION USAGE

(Passenger Miles Per Capita, 2000)



Sources: U.S. Department of Transportation National Transit Database, Bureau of the Census and Old Dominion University Economic Forecasting Project

Quality Of Life

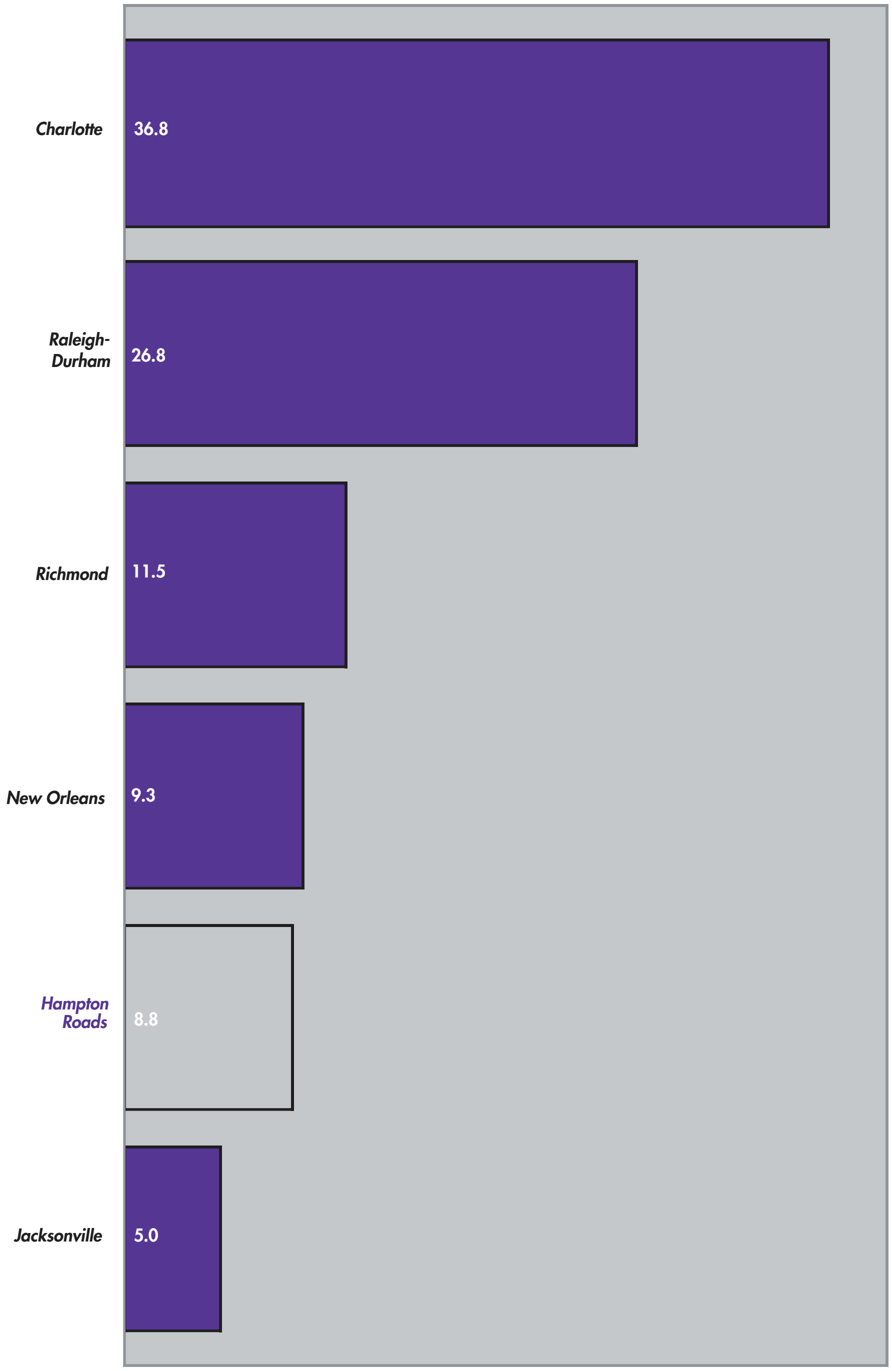
Hampton Roads evinces a mixed record with regard to a number of quality-of-life measures. There are pluses and minuses, depending upon the measure chosen. **On the positive side of the ledger, the region's air quality is among the best for comparable metropolitan areas.** This region does not have to cope with many "unhealthy air days," as defined by the Environmental Protection Agency. Charlotte and Raleigh-Durham, on the other hand, rank as the 9th- and 13th-worst air pollution areas in the nation, respectively (see Graph 23).

With respect to violent crime, Hampton Roads is one of the safest metropolitan areas in the nation (Graph 24) and is the safest in the comparison group for property crimes (Graph 25). Plausibly, one factor that helps to dampen crime rates is the region's well-below-national-average rate of poverty (Graph 26).

The distribution of income is considered by some to be a measure of the quality of life. **As pointed out in last year's "State of the Region" report, Hampton Roads neither boasts as many millionaires as many other regions, nor does it have as many individuals below the poverty line as other regions (10.6 percent in the region versus 12.5 percent nationally, as Graph 26 demonstrates). Income disparities are lower in Hampton Roads than in many other regions in the United States.**

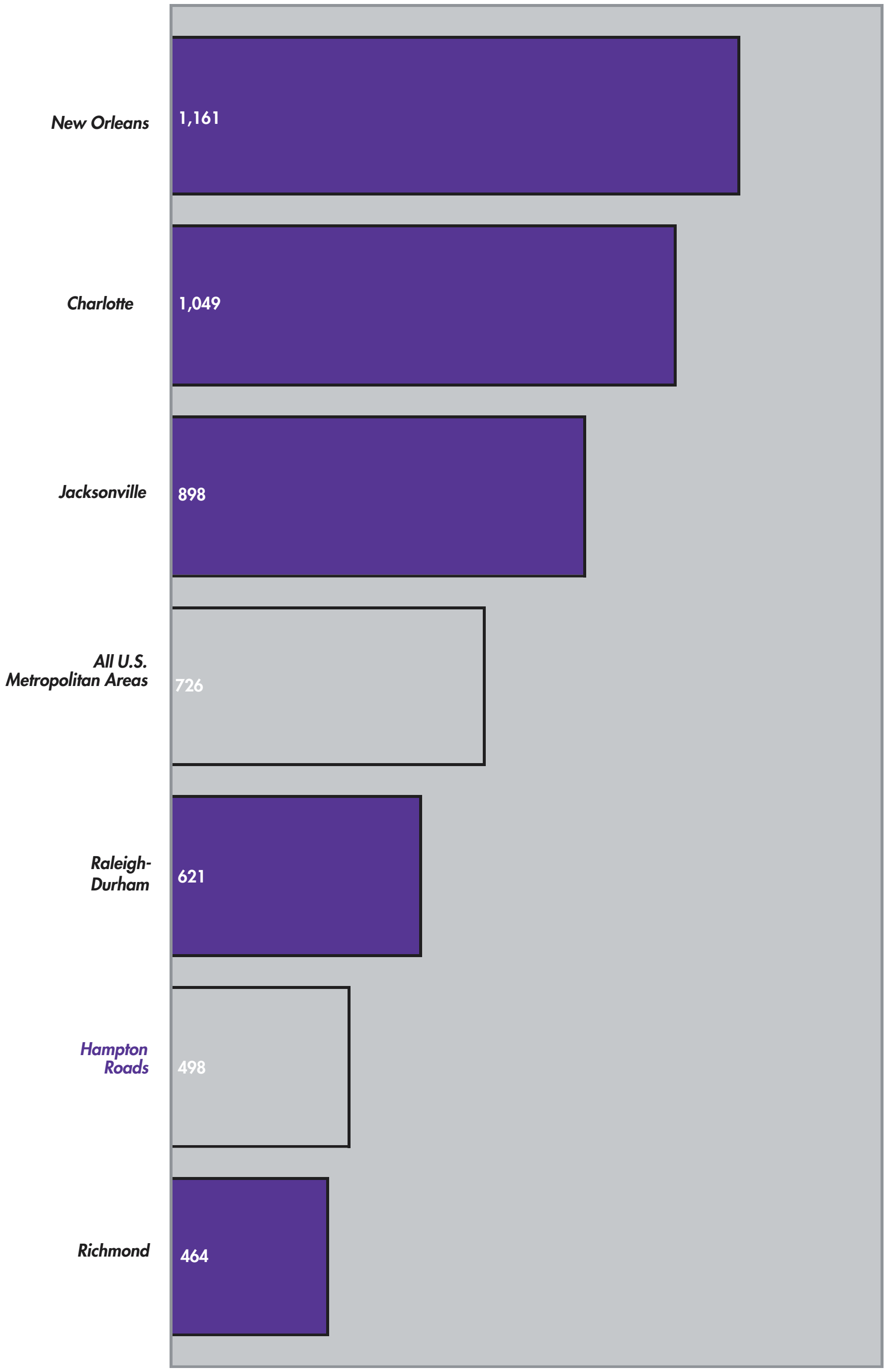
The quality of health care in Hampton Roads trails many other regions when viewed in terms of a plausible national index (Graph 27). Hampton Roads scores an 86 on a scale with the national average being 100. One of the major problems is a shortage of physicians, at least compared to other metropolitan areas. Also, as Graph 28 demonstrates, a fairly high proportion of Hampton Roads residents are smokers.

Graph 23
METROPOLITAN AIR POLLUTION
(Highest County Ozone Days in Unhealthy Ranges, 1998 to 2000)



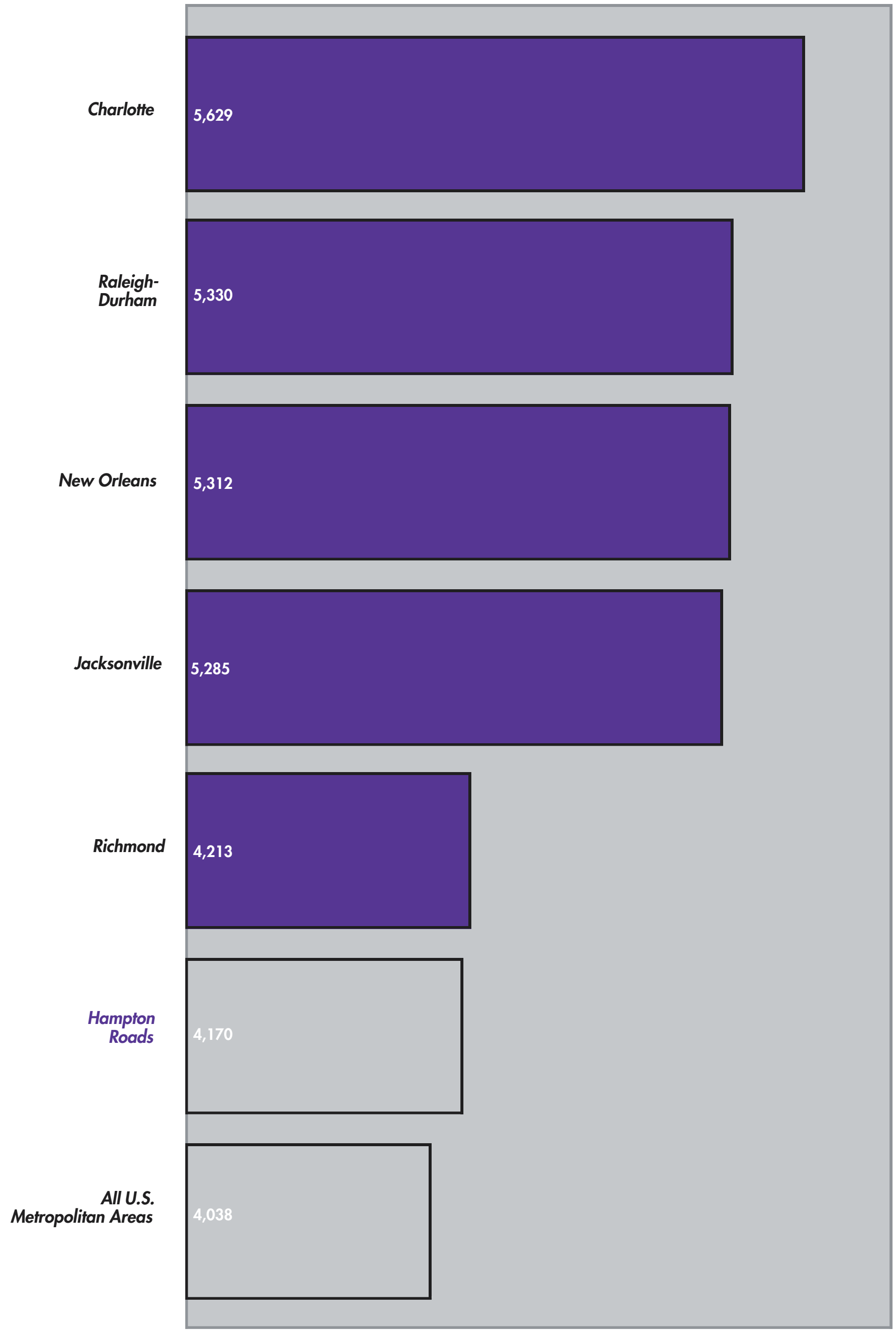
Source: American Lung Association

Graph 24
VIOLENT CRIMES
(1999, Per 100,000 Residents)



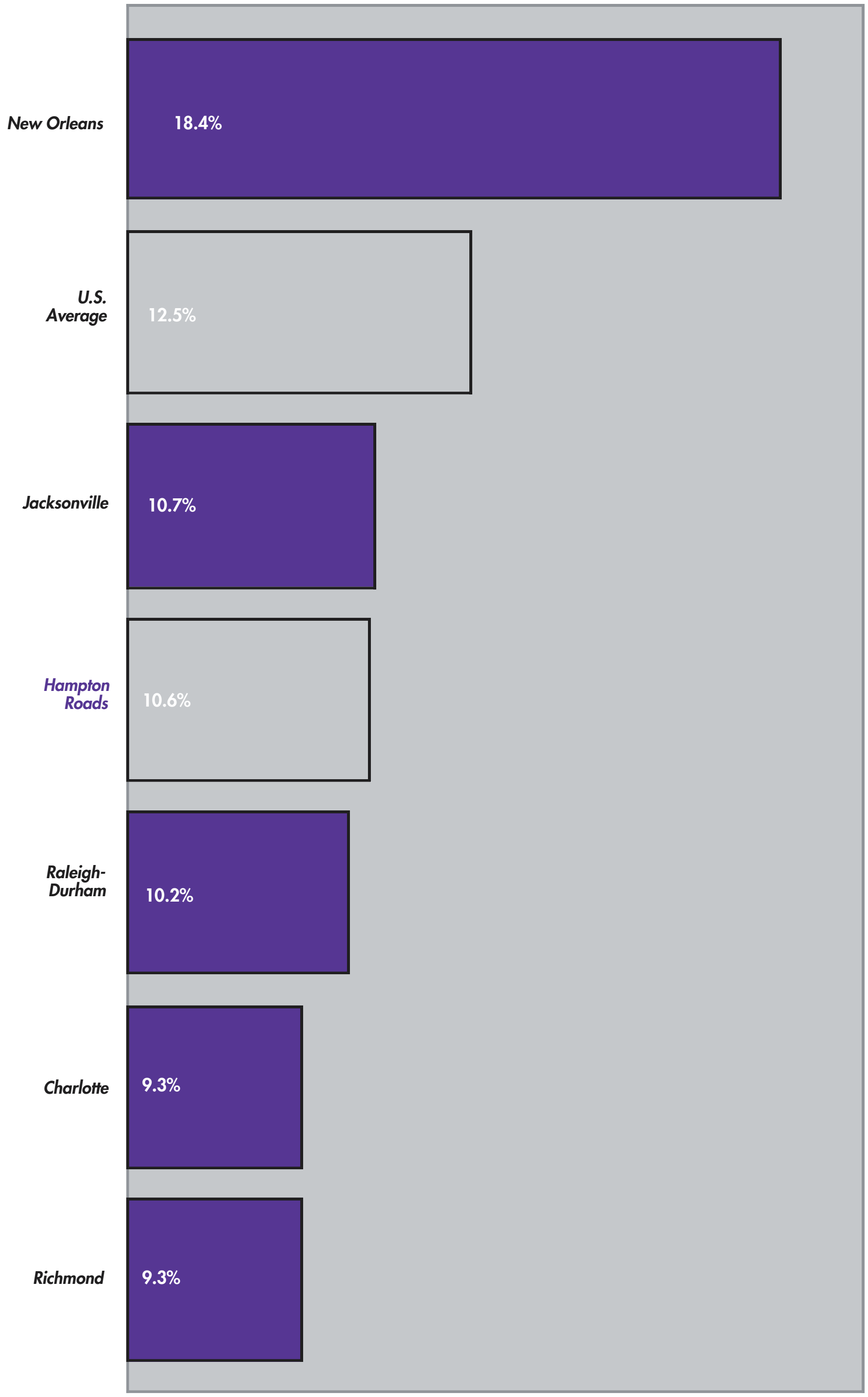
Sources: U.S. Department of Housing and Urban Development and FBI

Graph 25
PROPERTY CRIMES
(Burglary, Motor Vehicle Theft and
Larceny Per 100,000 Residents, 1999)



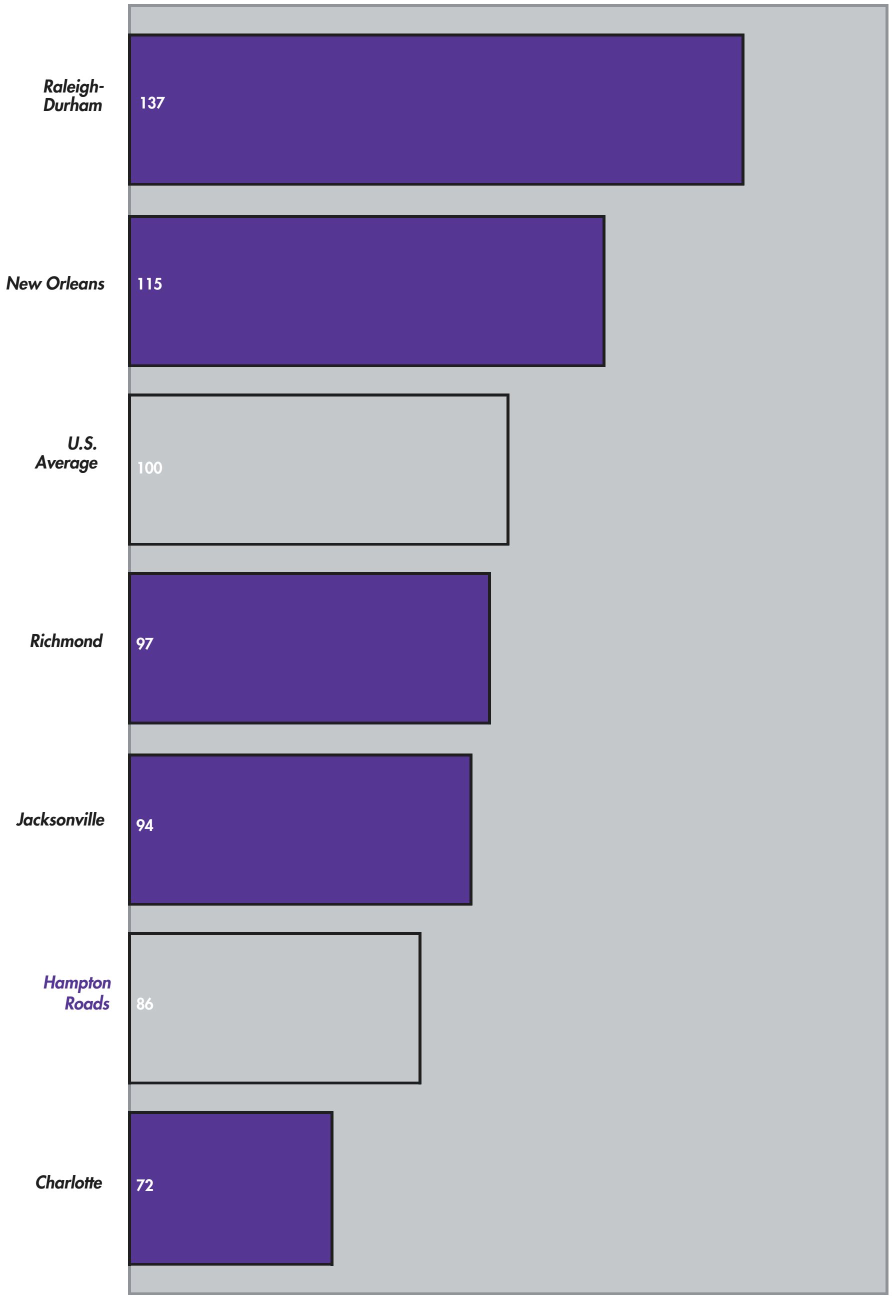
Sources: U.S. Department of Housing and Urban Development and FBI

Graph 26
INDIVIDUALS BELOW THE POVERTY LINE
(Percent Below the Poverty Level in 2000)



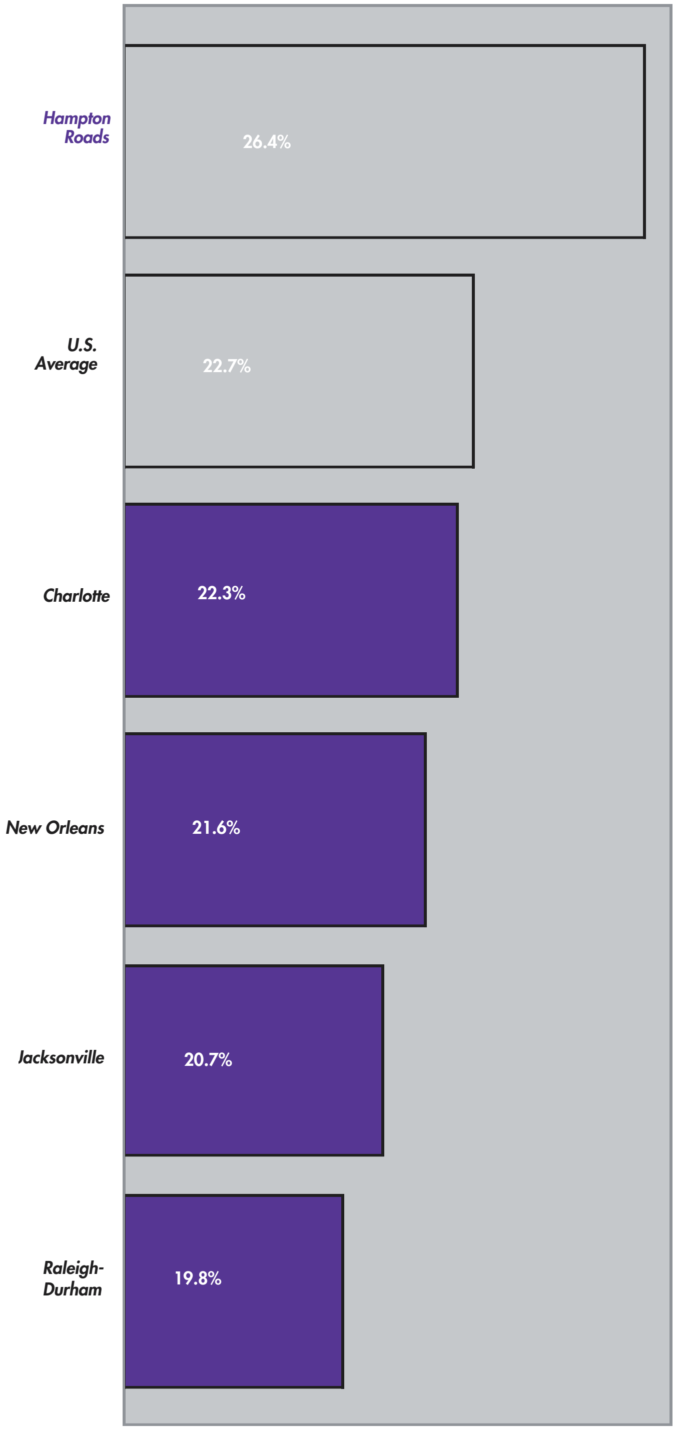
Sources: U.S. Department of Commerce and Bureau of the Census

Graph 27
HEALTH CARE QUALITY INDEX
(U.S.=100)



Sources: U.S. National Center for Health Statistics, American Medical Association, Healthcare Info Source Inc. and Old Dominion University Economic Forecasting Project

Graph 28
PERCENT OF ADULTS WHO SMOKE
(18 Years or Older, 2000)



Source: Centers for Disease Control and Prevention

Housing

Housing values in Hampton Roads have historically trailed those of the nation. However, evidence from the U.S. Bureau of the Census' "American Housing Survey" indicates that people buying houses in Hampton Roads are likely to get good value for their money. **Despite the fact that existing housing in Hampton Roads sells for almost 20 percent below the national average (see Graph 29), the quality of this housing compares well when using traditional appraisal-comparison statistics such as square footage and number of bathrooms**. Table 1 shows that houses in Hampton Roads are larger, have more rooms and bathrooms, and are situated on slightly larger lots than houses nationally. While we do not know the precise vintages of the houses in this region, or what shape they are in, the data in Table 1 certainly encourage the view that the typical house in Hampton Roads is somewhat superior to the average house in the United States.

Table 1

U.S. AND HAMPTON ROADS HOUSING COMPARED (Median Values Per Single-Family House)

	U.S.	Hampton Roads
Square Footage	1,730	1,799
Bathrooms	1.5	2.0
Total Rooms	6.0	6.5
Lot Acreage	.33	.36

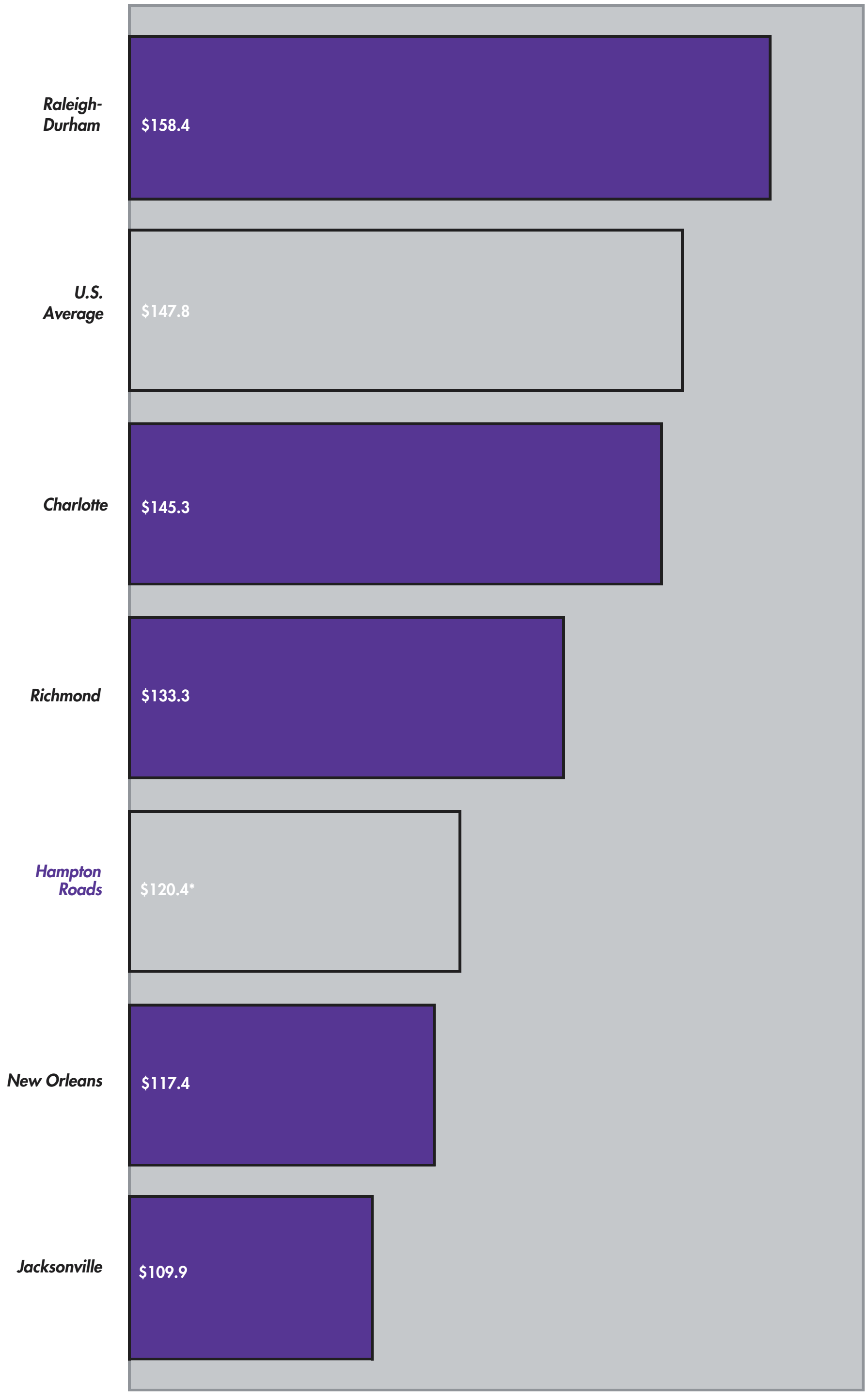
Source: Bureau of the Census, American Housing Survey, 1998 and 1999

It is interesting to note that over the past five years, the value of new housing construction within Hampton Roads has moved closer to the national mean (Graph 30). Unlike the sales value of the existing housing stock, the value of new houses in Hampton Roads is only 7 percent below that of the national average. In contrast to Richmond and Charlotte, the significantly higher value of new houses in Hampton Roads compared to existing houses suggests that the overall quality of single-family houses in Hampton Roads probably is increasing.

Hampton Roads' home ownership rate in 2000 rose from its 1990 level of 58.9 percent to 62.8 percent and now is only 3.4 percent less than that of the national average (Graph 31). Given the continuous turnover of military personnel, who constitute more than 11 percent of the region's work force, homeownership among non-defense residents in Hampton Roads actually may be higher than average.

Rental property vacancy rates have continuously fallen over the past 10 years in Hampton Roads from the historically high vacancy rate of 16.2 percent in 1991. The current 7 percent vacancy rate is below the national average (see Graph 32), reflecting the increased prosperity of the region and, unmistakably, increased Department of Defense spending, which fuels the demand for rental property. **Unlike the price of single-family housing, the cost of rental housing in the region is much closer to that of the national average.** In 1999, the latest year for which data are available from the American Housing Survey, the median single-family rental unit in Hampton Roads cost $582 per month, while the comparable national cost was $580.

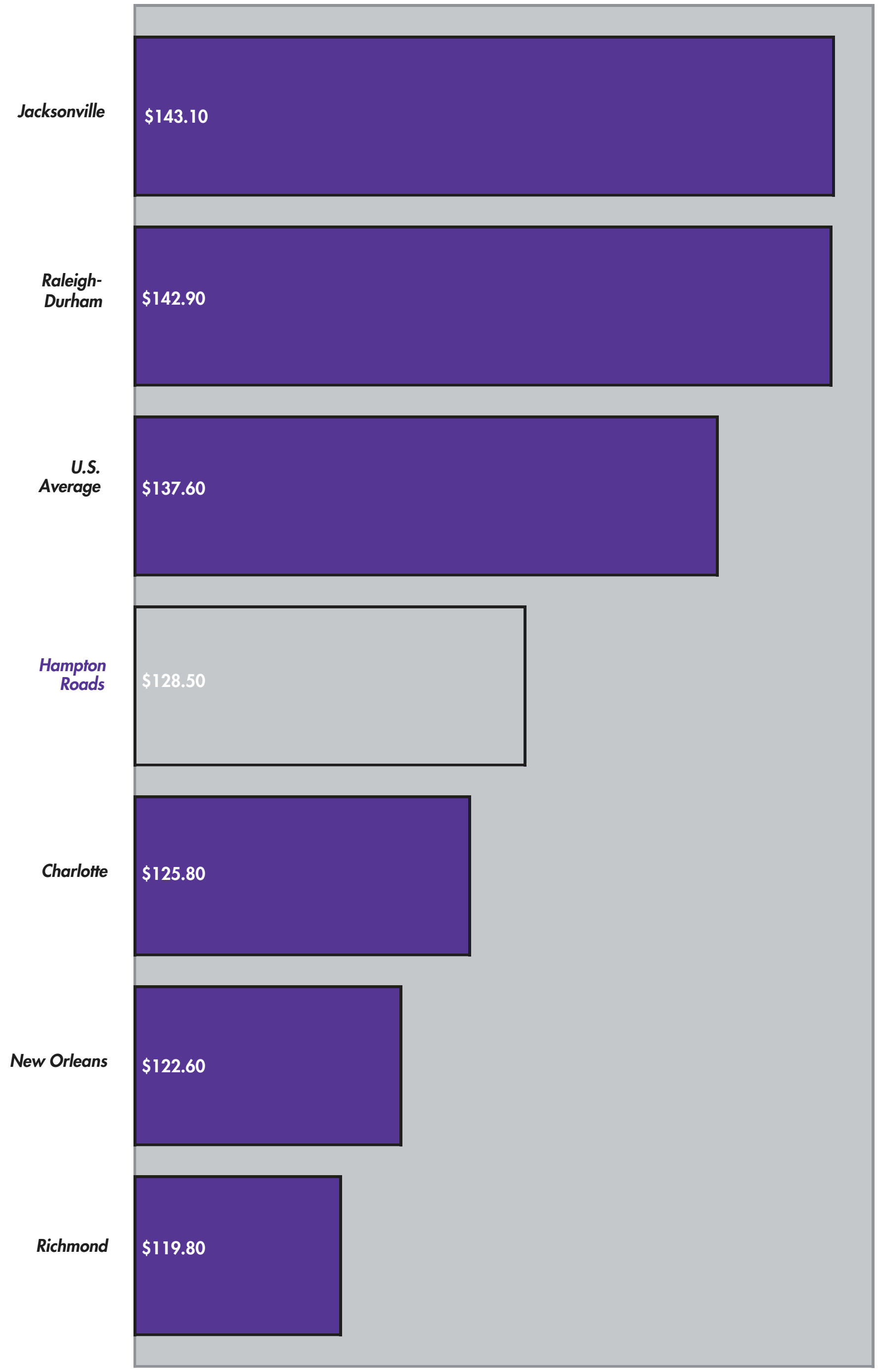
Graph 29
VALUE OF EXISTING HOME SALES, 2001
(Median Value, Thousands of Dollars)



*2nd and 3rd quarters, 2001

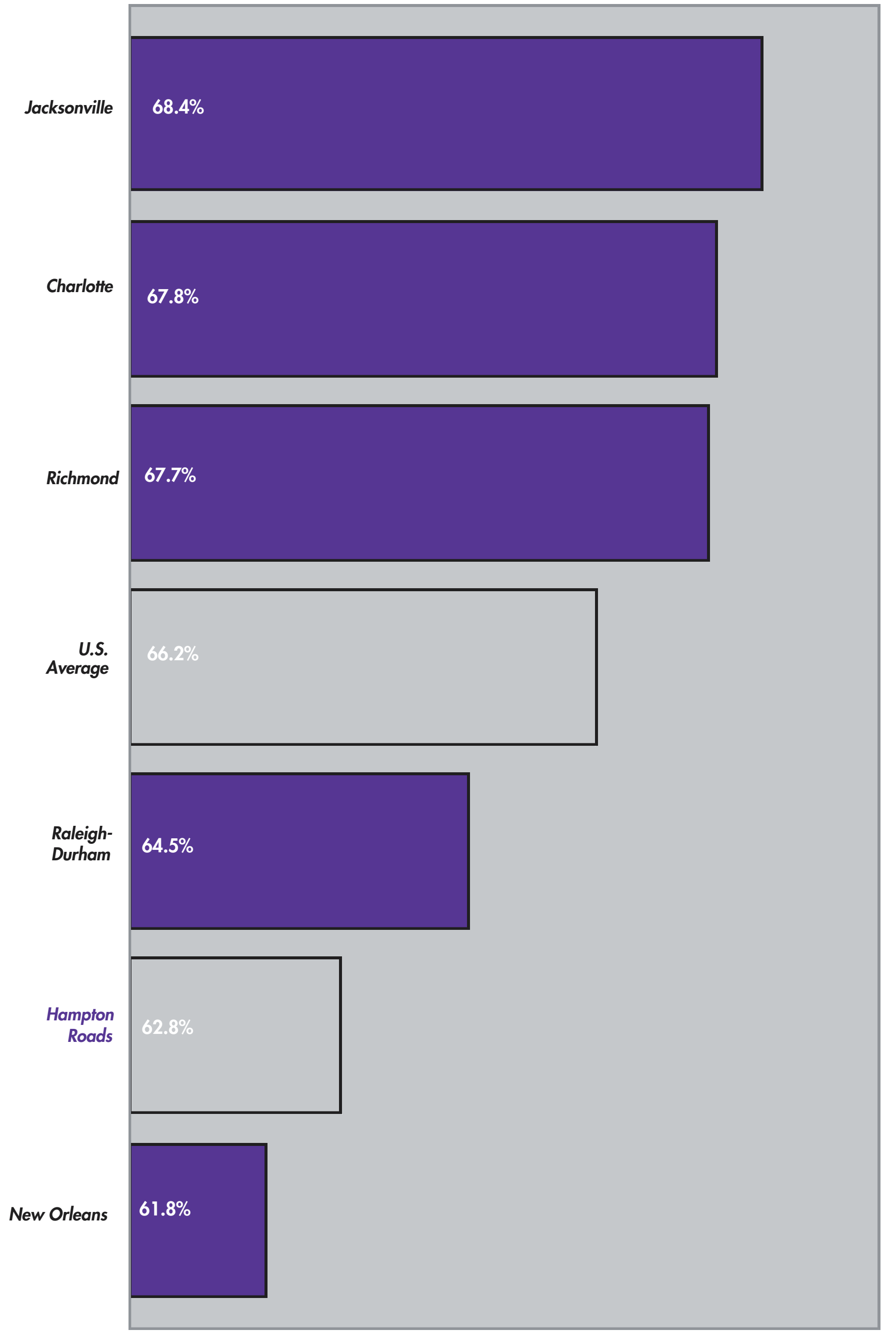
Source: National Association of Realtors

Graph 30
VALUE OF NEW SINGLE FAMILY HOUSING, 2000
(Median Value, Thousands of Dollars)



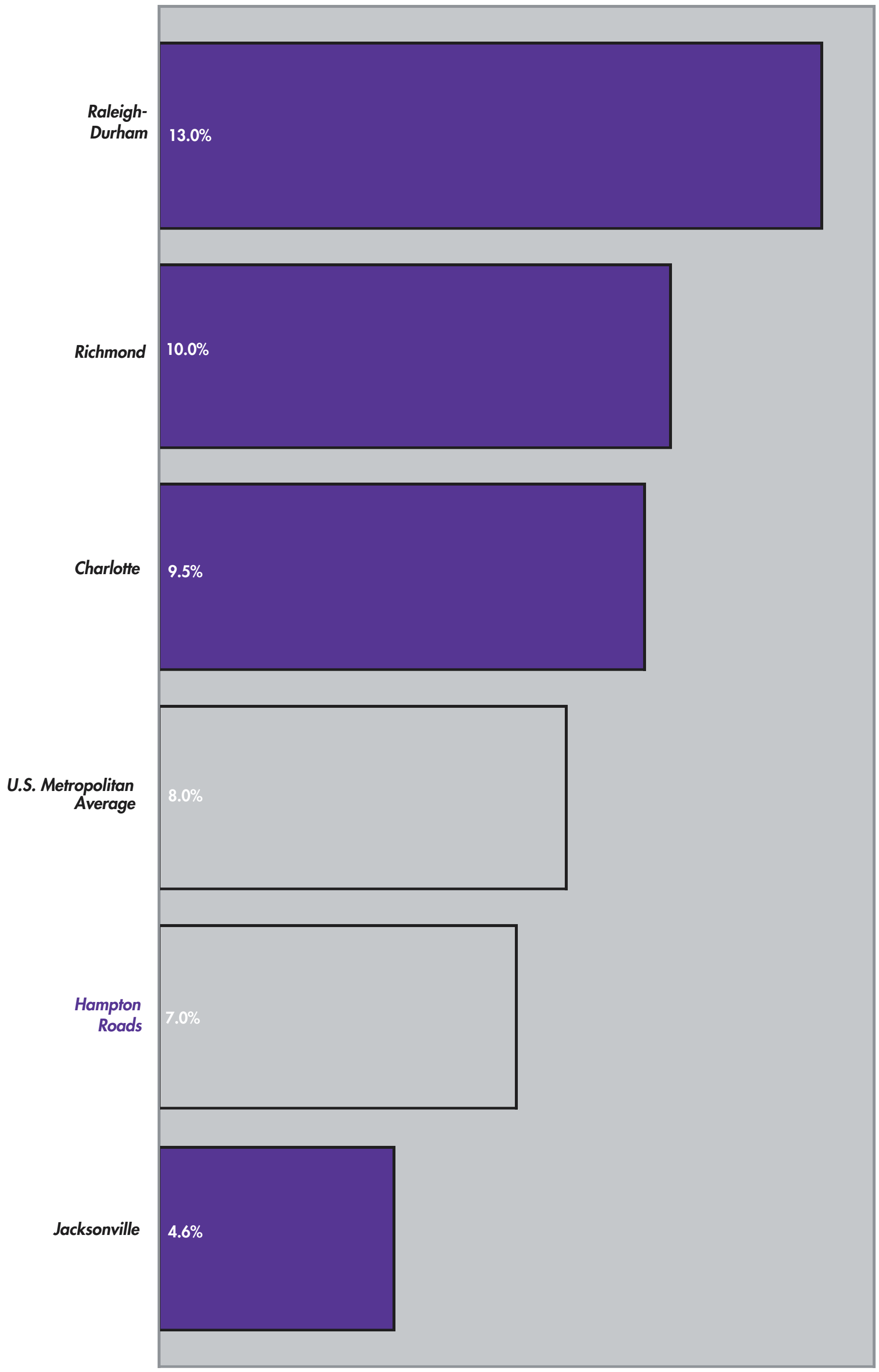
Sources: U.S. Department of Commerce and Bureau of the Census

Graph 31
PROPORTION OF HOUSING OCCUPIED BY
HOMEOWNERS, 2001



Sources: U.S. Department of Commerce and Bureau of the Census

Graph 32
RENTAL PROPERTY VACANCY RATES, 2001
(Single-Family Units)



Source: Bureau of the Census

the impact of sept. 11

Regional Economic Growth: The Impact Of Sept. 11 And The War On Terror

The entire nation was staggered by the events of Sept. 11, 2001. We in Hampton Roads were especially sensitive to these events because of the large Department of Defense presence in the region. We host the largest navy base in the world, and the region is home to many different facilities, including the Port of Hampton Roads, which some might view as targets for terrorist attacks. This perceived vulnerability (which may or may not be real) has led some to overemphasize the economic impact of Sept. 11 on the region. In this chapter, we calculate the short-run economic impact on the region of those tragic events and give thought to the possible long-term economic consequences of the "War on Terror."

The Economic Growth Of The Region Has Lagged, But …

In 2001, for the first time in 10 years, the Hampton Roads economy grew faster than that of the nation (Graph 1). Although the nation experienced a recession in the last two quarters of 2001, the Hampton Roads economy was able to avoid recession in 2001. There are two reasons for this strength. First, and most important, is the high level of defense spending within the region. Roughly 29 percent of Hampton Roads' gross product is dependent on defense spending. After eliminating price inflation, defense spending within the region rose by an estimated 1.8 percent in 2001 and was a major factor in keeping the economy from falling into recession.

The second reason why Hampton Roads avoided recession was the strength of its housing sector. The region's housing sector has benefited from an increased demand for higher quality housing, low national interest rates, an increased proportion of homeownership among area residents, and a concerted effort by the Department of Defense to raise active-duty military personnel housing allowances.

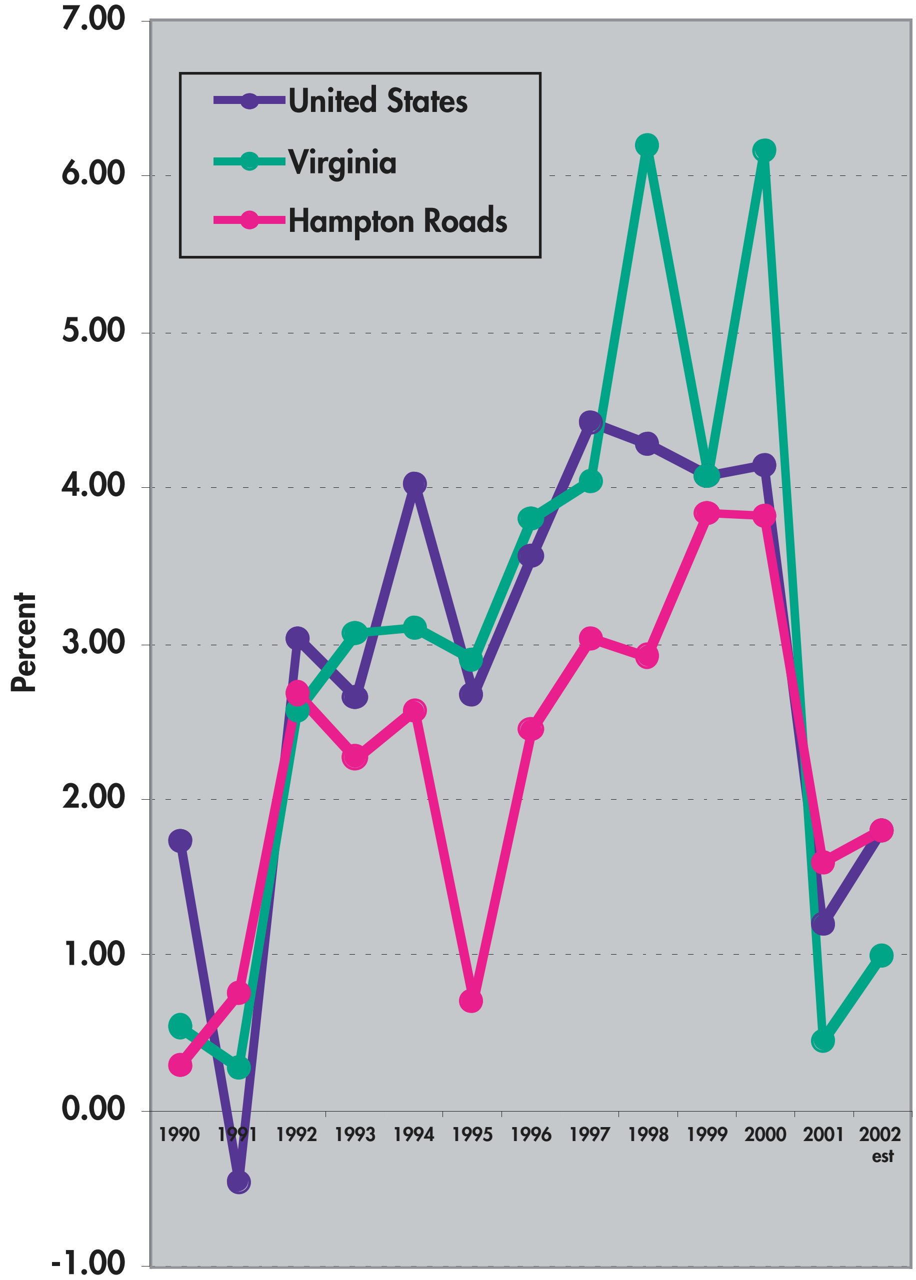
Table1
THE VALUE OF HOUSING PERMITS IN HAMPTON ROADS
(Millions of Dollars)

Year	Number of Permits	Value of Housing Permits
1993	8,105	86,141
1994	7,057	89,350
1995	6,331	97,176
1996	6,681	101,391
1997	6,528	104,903
1998	7,150	105,979
1999	7,498	106,507
2000	6,549	117,916
2001	6,710	124,811

Table 1 illustrates the influence of high-quality housing. One can see that the number of building permits granted in the region has declined by almost 20 percent since 1993; however, the value of those building permits skyrocketed by 45 percent since 1993. Increasingly, area buyers are demanding larger homes with more amenities. **Given the regional demand for higher quality housing, the average price of a new house in Hampton Roads has risen by almost 25 percent in the past two years.** Homes are bigger and presumably better.

Graph 1

YEAR-TO-YEAR ECONOMIC GROWTH RATES
HAMPTON ROADS, VIRGINIA AND THE UNITED STATES
1990-2002



Source: Old Dominion University Economic Forecasting Project

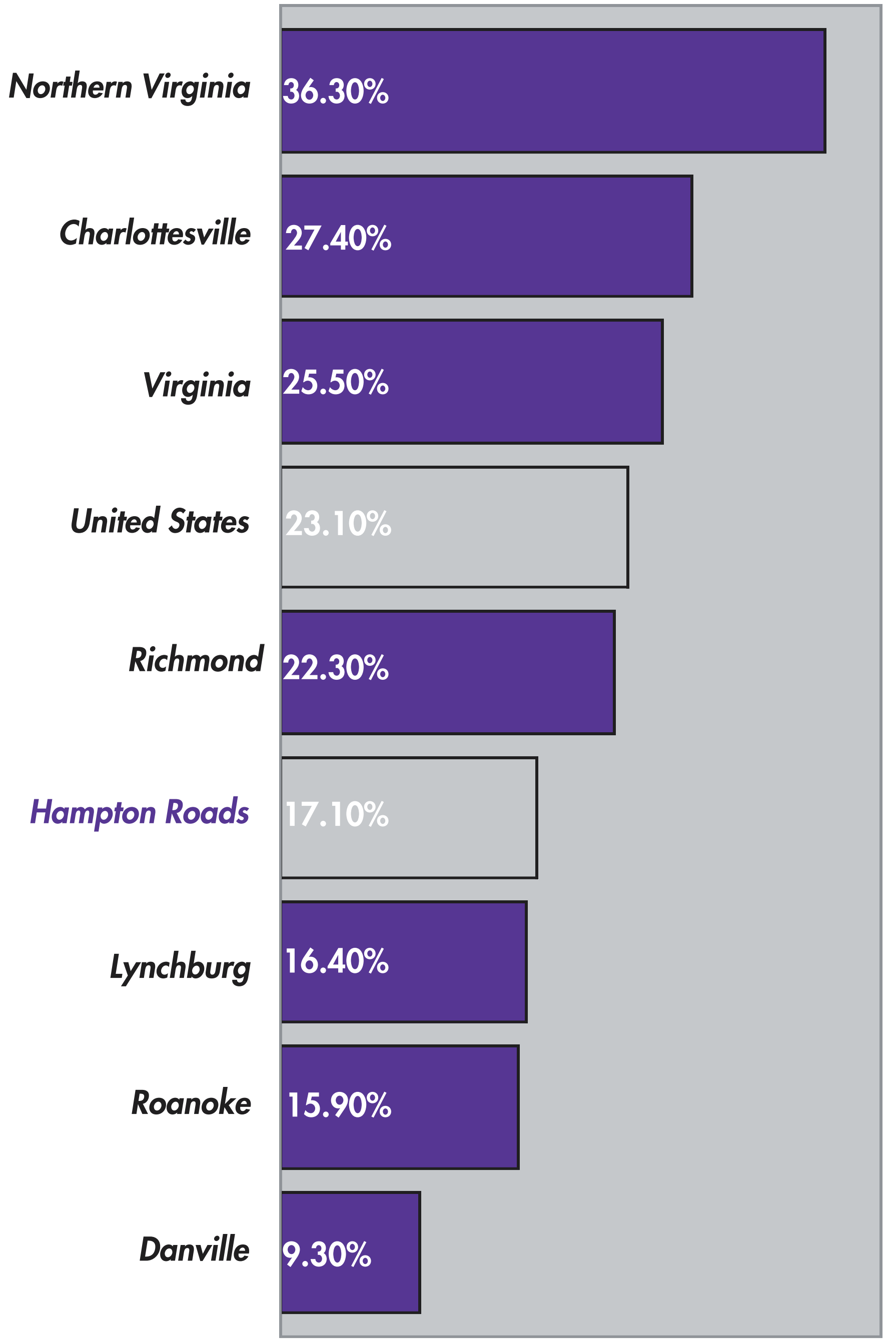
Hampton Roads And Its Relative Position In The Virginia Economy

Referring again to Graph 1, we can see that the growth of the Hampton Roads economy trailed that of Virginia and the United States for most of the 1990s. Nonetheless, **in 2001, the growth of Virginia's gross product was below that of Hampton Roads, and it is expected that this performance will be repeated in 2002.** Virginia's gross product rose by more than 6 percent in 2000 and by more than 25 percent between 1995 and 2000. This extremely strong state growth rate, and the fiscal inertia that accompanied it, was rudely interrupted in 2001, and that slowdown has continued in 2002. The rapid fall of the state's economic growth rate to less than half of a percent has been the source of a number of fiscal problems for the Commonwealth.

Why did Virginia's economy grow so rapidly in the latter half of the 1990s? This growth spurt was largely a function of the dynamic Northern Virginia economy (see Graph 2). Most of the Commonwealth's metropolitan areas, including Hampton Roads, grew at rates significantly below that of Northern Virginia and the entire United States during this time period. **Northern Virginia is such a dominant part of the state's economy that by itself, it raised Virginia's average economic growth rate to a level significantly above that of most of the state's other metropolitan areas. It is interesting to note that Hampton Roads and Northern Virginia together constitute almost 61.5 percent of the Virginia economy, as measured by 2000 incomes.**

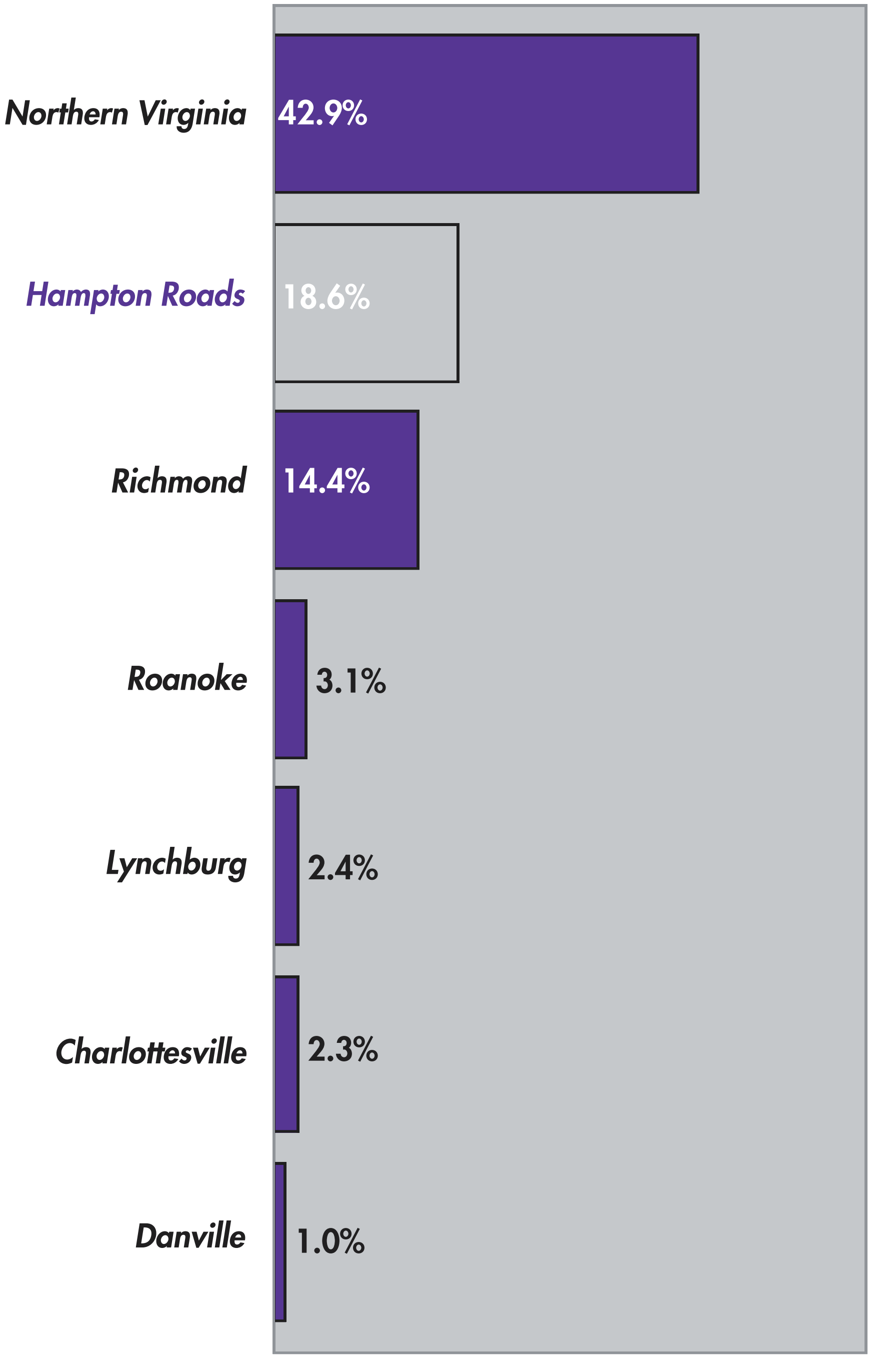
Hampton Roads' below-average economic growth in the 1990s, when compared to that of the Commonwealth as a whole, led to further decline in the region's relative share of economic output within the state. Graphs 3 and 4 illustrate this. While Hampton Roads' relative share of state income has declined, that of Northern Virginia has increased continuously since 1975. However, the region's strong economic performance in 2001 will bring a halt to that streak. It is projected that Hampton Roads' share of Virginia's income will rise by six-tenths of a percent from 2000 to 2002.

Graph 2
REAL GROWTH RATE IN VIRGINIA, VIRGINIA'S METROPOLITAN AREAS AND THE UNITED STATES
(Personal Income 1995-2000)



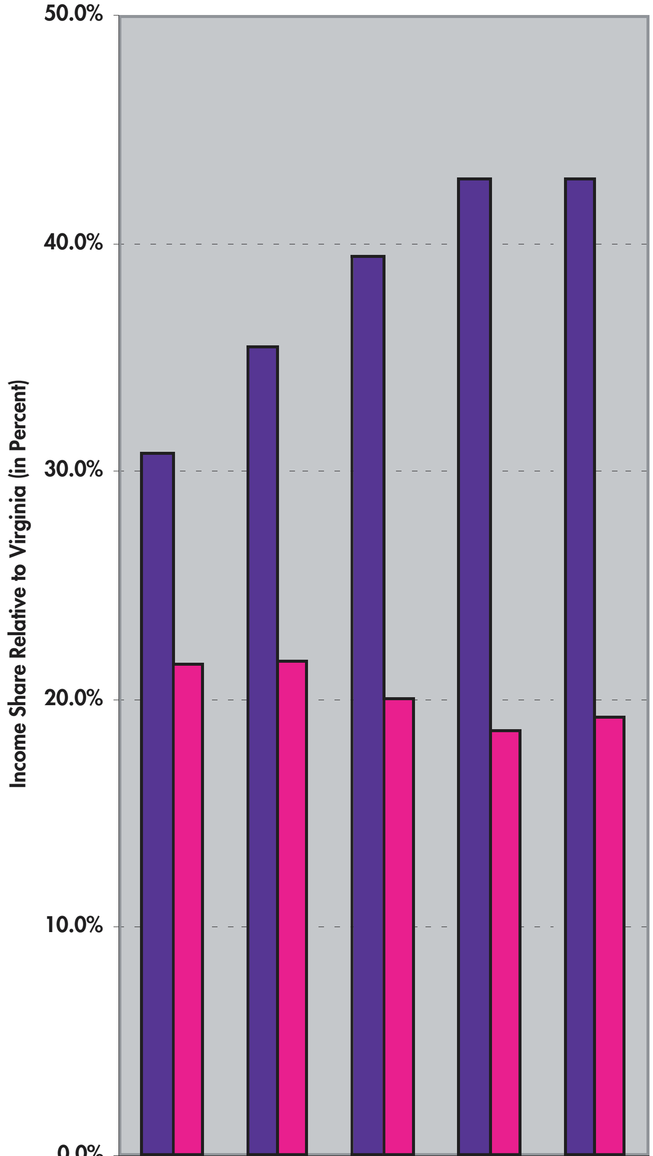
Sources: U.S. Department of Commerce, Federal Reserve Bank of St. Louis and Old Dominion University Economic Forecasting Project

Graph 3
RELATIVE METROPOLITAN
CONTRIBUTION TO VIRGINIA'S INCOME
(Personal Income 2000)



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

Graph 4
HAMPTON ROADS AND NORTHERN VIRGINIA SHARES OF VIRGINIA INCOME



	1975	1985	1995	2000	2002 (est)
Northern Virginia	30.8%	35.5%	39.5%	42.9%	42.8%
Hampton Roads	21.6%	21.7%	20.0%	18.6%	19.2%

Source: Old Dominion University Economic Forecasting Project

The Short-Term Economic Impact Of Sept. 11

Following the Sept. 11 terrorist attacks, many experts provided quick, seat-of-the-pants estimates of the probable economic impact of the attacks. There was little prior historical experience to guide projections, either in the near term or over longer periods. Would the effects of the attacks be short-lived, much like those of a hurricane, or longer lasting?

In the fourth quarter of 2001, the Milken Institute released a report on anticipated job loss resulting from the attacks across the United States and within its metropolitan areas. The areas predicted to be most impacted by the attacks were those most dependent on the travel industry. For example, the top five U.S. metropolitan areas with respect to anticipated proportional job loss were: Las Vegas, New York, Myrtle Beach, Reno and Atlantic City. Two of these regions, Myrtle Beach and Atlantic City, are major competitors of the Hampton Roads tourist industry. Further, the institute forecast the loss of 1,420 jobs in Hampton Roads over the remainder of 2001, plus an additional loss of 9,300 jobs in 2002 within the region.

In short, this did not happen. **To date, the effect of the attacks on Hampton Roads appears to be surprisingly minor.** Over the longer term, potential military deployments would have a much larger impact on economic activity within Hampton Roads than what was experienced as a result of the Sept. 11 terrorist attacks.

Unlike other major tourism destinations, then, the economic impact of Sept. 11 on the Hampton Roads travel industry was relatively small. As seen in Graph 5, from January to August 2001, Hampton Roads hotel revenue rose by 1.8 percent over the same period in 2000. This was sluggish, reflecting national economic recession, and was virtually nil after adjusting for price inflation. However, the region's performance was much better than that by the remainder of Virginia and fully 20 percent better than Richmond-Petersburg.

Further, even after Sept. 11, Hampton Roads' travel industry continued to outperform the remainder of Virginia. Hampton Roads' hotel revenue for all of 2001 was roughly the same as the year before. The region outperformed the country in this regard by 4.2 percent and the remainder of Virginia by 9.4 percent.

What did this mean in terms of dollars? The Old Dominion University Economic Forecasting Project, the source of all the following estimates of the economic effects of Sept. 11, has determined that about $50 million in total travel spending (hotels, restaurants and retail establishments) was lost to the region because of the attacks. In addition, Sept. 11 elicited a short-term American military response in the form of operation Enduring Freedom. This involved a 45-day extension in the deployment of the USS Enterprise battle group. This extension, plus the deployment of additional SEAL, Air Force, and Army personnel, resulted in a loss to the region's gross product estimated at $20 million.

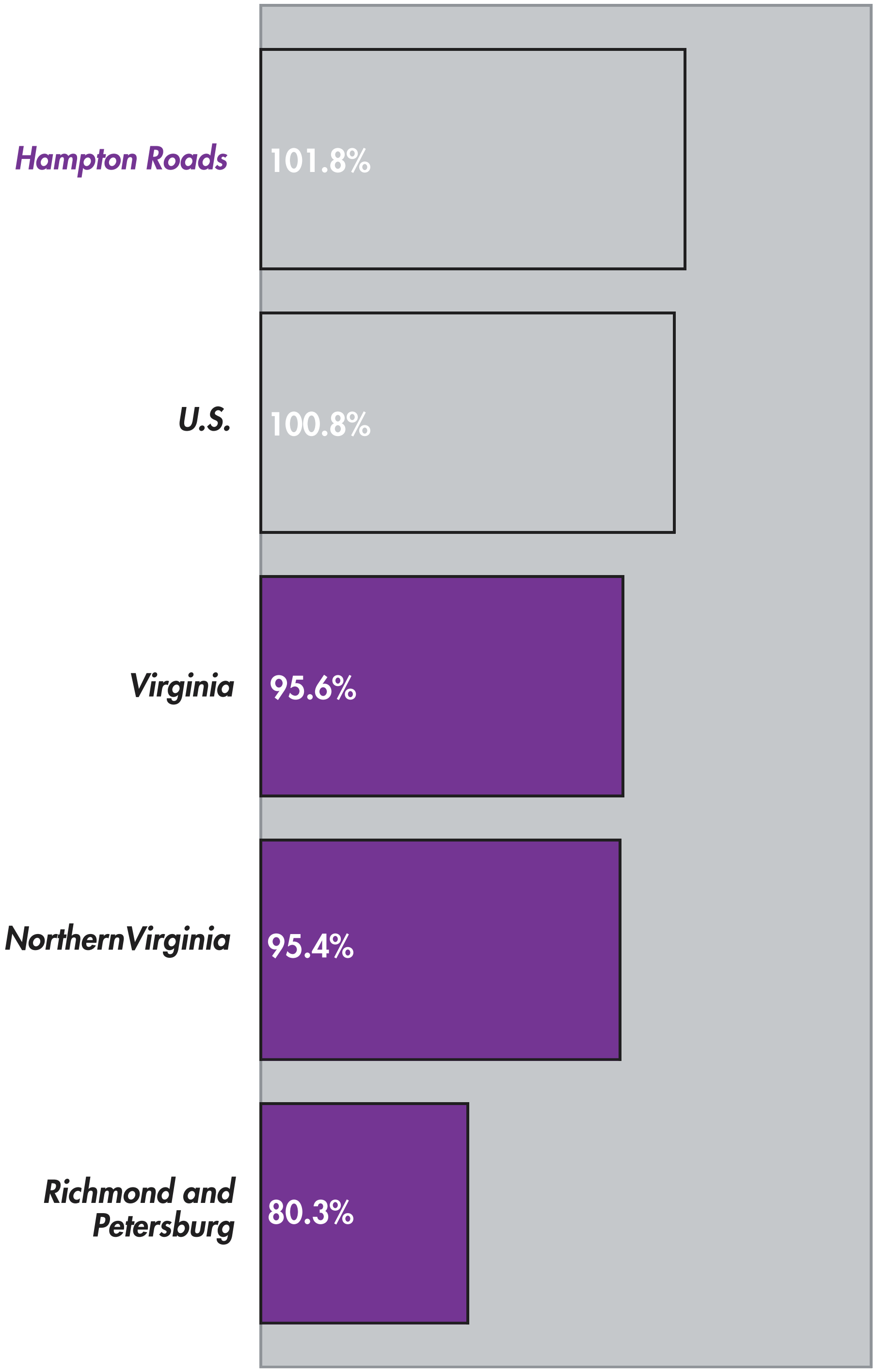
Thus, the total economic loss suffered by the region due to the Sept. 11 attacks approximated $70 million. This is not chicken feed. However, this loss reduced the 2001 economic growth rate of the entire Hampton Roads economy by considerably less than two-tenths of 1 percent. In Virginia Beach, this was roughly equivalent to the economic impact on its travel industry of past near-miss hurricanes. Bad news? Yes. A disaster? No.

The region has recovered from these negative short-term economic effects rather nicely. Hotel revenue between January and April 2002 actually was 5.8 percent higher than that for the same period in 2001. This provokes an obvious question. Why was the economic impact of Sept. 11 on Hampton Roads so small when compared to other travel destinations? The most important reason is that more than 90 percent of tourists who visit Hampton Roads arrive by automobile. **This region was, and continues to be, a "safe" destination in the eyes of many tourists.**

Graph 5

HOTEL REVENUE 2001 RELATIVE TO 2000

(January - August)



Sources: Virginia Department of Taxation, Smith Travel Research and Old Dominion University Economic Forecasting Project

Possible Long-Term Effects Of Sept. 11, The "War on Terror" And Deployments

This somewhat sanguine, short-term economic picture could change quickly. The big "if" here is the "War on Terror." **If the Department of Defense takes on any significant additional initiatives, for example, an invasion of Iraq, then the economic picture in Hampton Roads will change substantially.** In particular, as seen in Table 2, a Gulf War-type deployment of military personnel from Hampton Roads could easily result in the departure of roughly 27,000 active-duty service personnel. Under this scenario, about three-quarters of the departing servicemen and women would likely be deployed in two naval task forces with a carrier battle group in each task force.

The estimated negative effect of such a deployment on the economy of Hampton Roads is displayed in Table 3. In contrast to Sept. 11, this impact would not be small. **Total spending in the region would fall by about $500 million on an annual basis. This would reduce the growth rate of regional product by one full percentage point.** Without question, this is an event that nearly all sectors of Hampton Roads would feel, directly or indirectly. For example, many businesses would experience immediate declines in sales and a variety of governmental units would find their sales tax revenues diminishing.

Hence, the region has a great deal at stake in any significant deployment of U.S. military forces to the Gulf area. The annual negative impact of such a deployment on the regional economy likely would be five to 10 times as great as the aftermath of Sept. 11. Further, such a deployment could persist for more than a year if U.S. forces were assigned to occupy or patrol disputed or conquered territory. This provides an important reminder how the economic fate of Hampton Roads often is tied to external events or dependent upon the decisions of individuals who do not reside here.

Table 2

ESTIMATED DEPLOYMENT OF SERVICE PERSONNEL FROM HAMPTON ROADS IN A 2002-03 GULF WAR-STYLE SCENARIO

A Single Naval Task Force	**Hampton Roads-based Personnel**
Carrier/Amphibious Group	9,414
Carrier Group	7,047
Amphibious Group	2,367
Food/Ammunition Ship	500
Total Task Force	9,914
Total for Two Naval Task Forces	**19,828**
Other Units and Service Branches	
Langley Personnel (four squadrons plus support personnel)	2,000
Special Forces (SEALs)	500
Reserve Units	2,000
Army Transport Units (Forts Eustis and Story)	2,500
Total Other Units and Branches	**7,000**
Grand Total Gulf War-Type Deployment	**26,828**

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

Table 3

ESTIMATED ECONOMIC EFFECT ON HAMPTON ROADS OF A GULF WAR-TYPE MILITARY RESPONSE

Total Spending Loss Per Year (including regional multipliers)	$500 million
Retail Sales Loss Per Year	$175 million
Percentage Decrease in Regional Gross Product	1 percentage point

Source: Old Dominion University Economic Forecasting Project


FIRE
RESCUE

the regional distribution of income

The Distribution Of Household Income In Hampton Roads

F. Scott Fitzgerald: *"The very rich are different from you and me."*

Ernest Hemingway: *"Yes, they have more money."*

In the 2001 "State of the Region" report, we analyzed the sources of income for Hampton Roads residents and found that the region has a proportionally larger middle class than many metropolitan areas. That is, it has more equality in its income distribution than many other metropolitan areas or the country as whole. **Hampton Roads, proportionately, does not have as many millionaires, or as many very poor people, as most other metropolitan areas of the United States. This is due in particular to a paucity of business income and capital gains, but also reflects the absence of the grinding poverty that characterizes many other large metropolitan areas.**

This year, we provide much more extensive data about regional distribution of income and discuss several implications.

The Regional Distribution Of Income

In May 2002, the Bureau of the Census released economic data gathered in its 2000 Decennial Household Survey. These data present a unique opportunity to explore in much greater detail the equality (inequality) of the region's income distribution and to compare Hampton Roads to other metropolitan areas.

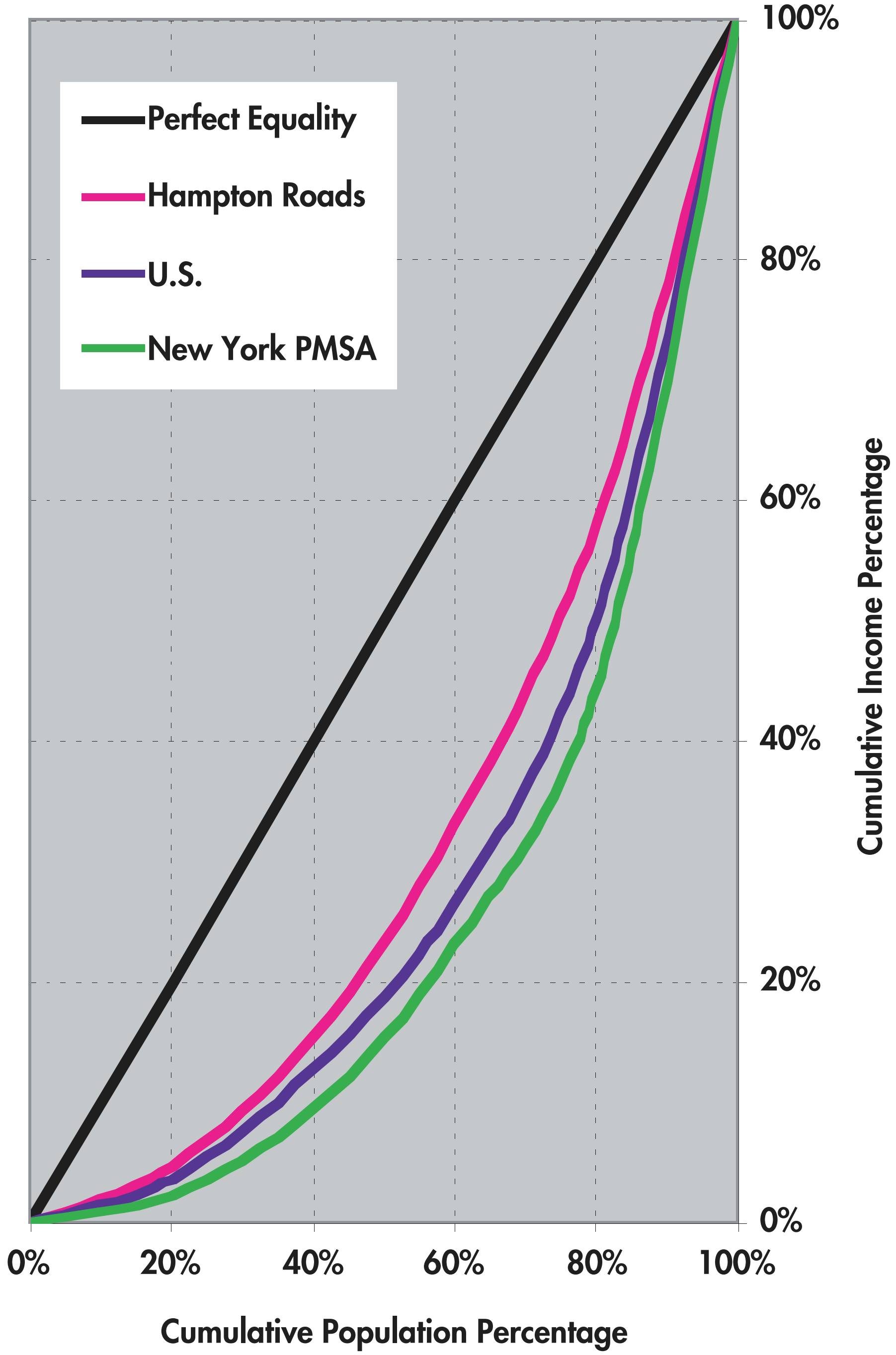
The most common method used to illustrate the comparative degree of income equality, or inequality, is to draw something known as a Lorenz curve. We can use the latest U.S. census to produce Lorenz curves for Hampton Roads and other metropolitan areas. Graph 1 depicts Lorenz curves for Hampton Roads, the New York City metropolitan area and the entire United States. New York City was selected for this comparison, not because it is highly comparable to Hampton Roads, but rather because it is an easily understandable reference point.

The vertical axis in Graph 1 measures the cumulative percentage of income earned by households. The horizontal axis measures the cumulative percentage of households, beginning with the household earning the lowest income. If all households earned precisely the same income, then the Lorenz curve would assume a 45-degree angle and look like the black line in Graph 1. For example, 50 percent of households would earn precisely 50 percent of the income. Seventy percent of the households would earn 70 percent of the income, and so forth.

The farther away from the black line the Lorenz curve for a particular metropolitan area or nation is, the more *unequal* the distribution of income among its households. Alternatively, the closer to the black line a region's Lorenz curve, the relatively more *equal* the distribution of income among its households.

Hampton Roads is represented by the magenta curve in Graph 1, while New York City is represented by the green curve and the entire United States by the violet curve. **One can see that New York City has the most unequal distribution of income, followed by the U.S., and then by Hampton Roads. Putting this the opposite way, Hampton Roads has a more equal distribution of income than that of the nation, which in turn has a more equal distribution of income than New York City.**

Graph 1
LORENZ CURVE FOR HAMPTON ROADS, NEW YORK PMSA
AND U.S. 2000 HOUSEHOLD INCOME DISTRIBUTION



Source: Old Dominion University Economic Forecasting Project

Let's see why. In Graph 1, one can see that the *lowest* income-earning 60 percent of Hampton Roads households receive about 33 percent of the region's income, while the lowest 60 percent of the households in the United States and New York City earn only 26.6 and 23.1 percent, respectively.

Let's go to the other end of the income distribution. **The *highest* income-earning 20 percent of Hampton Roads households receive 41.9 percent of household income in the region. However, the same groups in the U.S. and New York City receive 49.7 and 55.5 percent of the income, respectively. This means that Hampton Roads has proportionately fewer poor people, but also proportionately fewer rich people, than either the nation as a whole or New York City.**

Is Hampton Roads' income distribution changing over time? There is a statistic known as the Gini coefficient that one can compute to answer this question. In brief, the Gini coefficient reduces the Lorenz curve to a single number by measuring the area inside the Lorenz curve as a proportion of the total area available in the triangle in Graph 1. If a Gini coefficient decreases as time passes, then the distribution of household income has become more equal. On the other hand, if it rises, then the distribution of income has become less equal.

Analysis of U.S. Census household income data for 1990 and 2000 indicate that the Gini index for Hampton Roads fell slightly between 1990 and 2000. **This means the region's income distribution became more equal over the 1990 to 2000 period. For example, the proportion of household income claimed by the top 20 percent of Hampton Roads households declined from 42.8 percent in 1990 to 41.9 percent in 2000.**

In general, the Gini coefficients for the rest of the nation did not fall between 1990 and 2000 because the distribution of income became more unequal in many metropolitan areas. In the entire United States, over the same time period, the Gini index *increased* slightly, indicating that the nation's distribution of income became less equal over the period. This reflects the fact that the top 20 percent of household income-earners' share of income rose from 47 percent in 1990 to 49.7 percent in 2000.

Why is income becoming more equally distributed in Hampton Roads, but the opposite is occurring in the rest of the country? There are several reasons. **First, relative to the rest of the United States, Hampton Roads did not benefit as much from the stock market boom of the 1990s.** As pointed out in last year's "State of the Region" report, Hampton Roads residents traditionally have earned fewer capital gains than citizens in other regions. **Also, this region generates less business income than the typical metropolitan area in the U.S. and this implies Hampton Roads did not have many truly booming businesses in the 1990s.** One small confirmation of this is the typical absence of any Hampton Roads firm from the list of the 100 fastest-growing firms in the country.

A second reason why income tends to be distributed more equally in Hampton Roads than elsewhere is that its regional economy continues to be highly dependent upon federal government expenditures for defense and for research at installations such as NASA and the Jefferson Laboratory. These activities simply do not generate the dynamic boom and bust scenarios that have come to be associated with Silicon Valley and dot.com entrepreneurial initiatives. Consequently, the region did not produce multiple thousands of business millionaires during the 1990s as was true in Seattle, Silicon Valley, Austin and Boston. Hampton Roads has its wealthy business leaders and entrepreneurs, but proportionally far fewer than one sees even in metropolitan areas such as Charlotte or Richmond.

How Large Is Hampton Roads' "Middle Class" Compared To That Of The Nation?

Graph 2 provides a vivid picture of the differences in the income distributions of Hampton Roads, New York City and the United States. One can see in Graph 2 that Hampton Roads' income distribution is far more heavily concentrated in the middle range of household incomes than that of the nation or New York City. The U.S., and especially New York City, have income distributions with much larger concentrations of households at both the high and low ends of the scale.

The middle-class orientation of Hampton Roads is further demonstrated in Table 1, which breaks down the distribution of income in three categories. Almost two-thirds of Hampton Roads households fall into this definition of the middle class. Of additional note is the fact that Hampton Roads' middle class has a higher concentration in the upper part of the middle-income range than either New York or the nation: 10.4 percent of Hampton Roads households, 10.1 percent of U.S. households and 9.6 percent of New York households are in the $75,000 to $100,000 income category. That is, Hampton Roads' middle class is proportionately larger and contains more individuals in its upper reaches.

Table1

THE PROPORTION OF HOUSEHOLD INCOME WITHIN EACH INCOME CATEGORY (2000)

	Hampton Roads	U.S.	New York
Lower Class (less than $25,000)	25.9%	32.7%	32.7%
Middle Class ($25,000-$99,000)	64.2%	58.6%	51.3%
Upper Class ($100,000 or more)	10.0%	12.3%	16.0%

Source: Old Dominion University Economic Forecasting Project

It is at the upper end of the income scale, which indicates household incomes of more than $100,000 per year, that Hampton Roads clearly begins to lag behind both the nation and the largest metropolitan areas. In fact, the deficit with respect to other regions becomes progressively greater as household income moves higher and higher. To some, this might not make any difference. However, as pointed out in last year's "State of the Region" report, it has negative ramifications for the region's economic and political clout. Whether or not we agree, income and wealth usually confer power and influence.

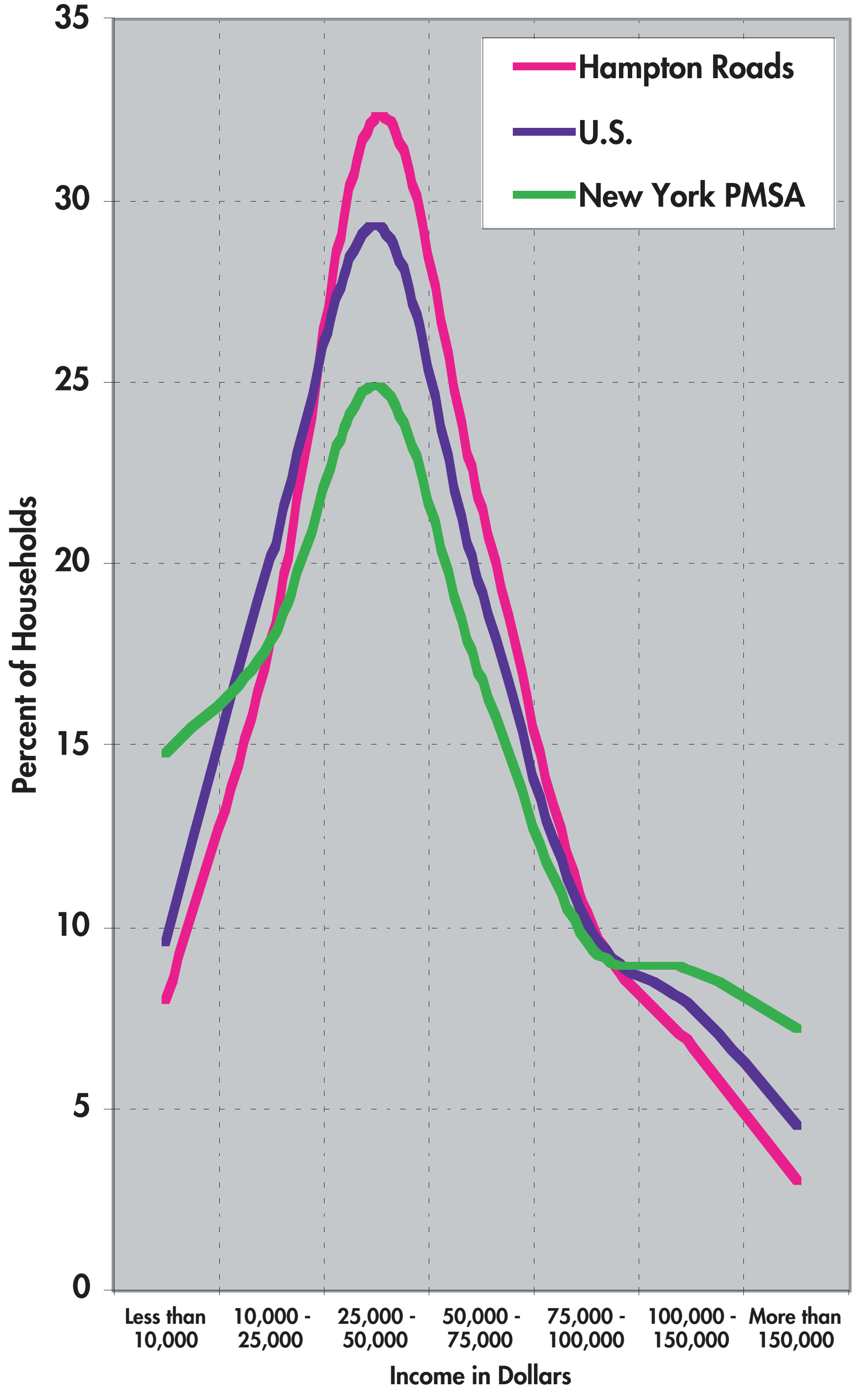
Compared to other regions within the Commonwealth (particularly Northern Virginia and Richmond), Hampton Roads does not rank as high on the scale of power as it usually is measured, and this has influenced political appointments, legislation, appropriations in the public sector and business locations in the private sector.

Thus far, we have talked about the distribution of income primarily in terms of averages ("means"). And, the mean income of households frequently is used to measure how well-off a particular metropolitan area happens to be. Mean values (averages) provide a very general impression of well-being, but often do not provide enough context to allow us to make accurate comparisons of one region to another. Mean income numbers don't necessarily tell us how well most people in the region are doing. Why? Because a mean is the average of all numbers, and one very large or very small number can distort the value of that average. As one wit once observed, "If you put one of your hands on an ice cube and the other on a hot plate, your mean temperature may be 72 degrees, but it won't tell you anything useful." Similarly, in computing the average wealth of a group of 10 people, one could include Bill Gates (the wealthiest man in the world) and end up with a mean exceeding $100 million. This would be an accurate measure of the mean, but wouldn't tell us much.

Table 2 provides some insight into this problem. The much heavier concentration of incomes at the upper end of the scale for both the United States and New York City causes their mean incomes to exceed, and in the case of New York dramatically exceed, that of Hampton Roads. Hampton Roads generates only 75 percent of the mean household income of New York City and it would almost appear that this region has Third World country status when compared with Gotham City.

But, is it true that *most* New York or U.S. households are better off than most Hampton Roads households? Not necessarily. Income is distributed much more equally in Hampton Roads than in New York City and, as we have seen before, New York City's poverty rate is much higher than that of Hampton Roads. Therefore, some might say that proportionately more individuals are doing well, or at least doing OK, in Hampton Roads than either in New York City or the country as a whole.

Graph 2
HOUSEHOLD INCOME DISTRIBUTION (2000)



Sources: Bureau of the Census and Old Dominion University Economic Forecasting Project

There is another measure of the "central tendency" of the household income distribution that can help us see this. This measure is median income. The median value of any distribution precisely divides it in half, so that 50 percent of the items are below the median value and 50 percent are above the median value. **As can be seen in Table 2, the median household income in Hampton Roads actually exceeds that in New York City. Taking this view, one can easily argue that the typical citizen of Hampton Roads appears to be better off than the typical citizen of New York City or, for that matter, the typical American. Cost-of-living differences certainly would underline this judgment relative to New York City.**

Table 2
MEAN AND MEDIAN HOUSEHOLD INCOMES, 2000

	Hampton Roads	U.S.	New York
Mean Income	$50,149	$55,378	$67,876
Median Income	$42,742	$41,433	$41,053

Source: Bureau of the Census

So, which households really are better off in terms of income, those in New York City or Hampton Roads? It would be correct to say that proportionally more households are better off in Hampton Roads than in New York City; cost-of-living differences between the two areas accentuate this conclusion. High incomes in New York City are concentrated among a relatively few households. The same general judgment holds if we compare Hampton Roads to the U.S.

Is There An "Ideal" Distribution Of Income?

If income is more equally distributed in Hampton Roads than elsewhere, is this good or bad? We cannot answer that question precisely, but can point out some of the relevant considerations that might lead citizens to conclusions about what they believe is the best distribution of income.

Many people believe that a more equal distribution of income is good, because such a distribution satisfies their notions of fairness. Such a value system has guided the Scandinavian countries for an extended period of time. The primary vehicle for achieving a more equal distribution of income is a progressive income tax. One of the major arguments in favor of such a tax is the notion that a higher-income person sacrifices less when he/she is taxed a certain amount of money than does a lower-income person who is taxed the same amount. Of course, there is no objective way to measure the amount of sacrifice any of us experiences when we are taxed, but most citizens do appear to believe that to some extent the rich sacrifice less when taxed. In addition, many people believe that income tax systems with steeply graduated rates (a progressive tax) reduce the probability that large concentrations of economic power will emerge. They believe the large power blocs bode no good for the political system and ultimately produce societal resentment and instability. In the limit, they believe gross income inequalities can lead to revolution, and point to a variety of historical scenarios in support of this hypothesis.

Against this, if taxes are designed to produce an equal distribution of income, then it seems likely that this will discourage some people to work longer or harder, to innovate or to invest their resources. Thus, society is denied productive enterprises, which benefit not only the individuals who work the additional hours or undertake the entrepreneurial ventures, but also society at large. Microsoft, they point out, now has more than 50,000 generally well-compensated employees (about 25,000 in the state of Washington alone) and it is in society's best interest to encourage the development of more Microsoft-like businesses.

The demise of the Soviet Union carries with it many lessons, but one is that economic incentives (and disincentives) make a difference. The laggard economic performance of centrally managed socialist economies over the final quarter of the 20th century suggests that they often misjudged the need to provide incentives to workers and investors. For that matter, the laggard economic performance of the Hampton Roads region over the past decade suggests to some that the region is "not entrepreneur friendly" and not sufficiently accepting of the economic disparities that appear to accompany rapid economic growth.

During the 20th century, the real income of the average American citizen increased eight-fold. This is a magnificent achievement, never before duplicated. Did this dynamic achievement require inequality in the distribution of income? Almost certainly, yet it is not clear precisely how much inequality is needed to stimulate entrepreneurial juices and work habits.

Most citizens conclude that it should be possible for one individual to earn more than another by dint of his/her hard work, invention and risk-taking. But, most citizens also are much less tolerant of income inequalities that result from inheritance or luck. And, a large number of people appear to believe that the distribution of income should not become too unequal, though it is not clear exactly what this means.

The bottom line is we cannot say whether we are better or worse off in Hampton Roads because our household income distribution is more equal than that in the rest of the country, and particularly more equal than that of New York City. Because Hampton Roads' economy did not grow as fast as the economies of other metropolitan areas for a number of years, this has meant that the region has not been able to boast about the emergence of a Microsoft-like firm, or even to trumpet a particularly dynamic sector of the economy such as aerospace biotechnology, or computer software.

Can Hampton Roads change this situation, if that is the desire? Absolutely. But, it would require a change in attitude, perhaps even culture. And, it would almost surely require significant additional investments in education and training at all levels, research and development activities at area research universities, and the transportation infrastructure. It is not clear that the civic will to do these things exists in the region. Like it or not, Hampton Roads seems to have reached a state of relative comfort (or at least, tolerable discomfort) with respect to its economic status and future.

the state of religion

Religious Life In Hampton Roads

Writing in 1831, Alexis de Tocqueville observed, "Religion in America takes no direct part in the government of society, but it must be regarded as the first of their political institutions." Early in the 20th century, commentator G.K. Chesterton described the United States as "a nation with the soul of a church." Such sweeping commentary is embedded in the heart and history of this region, state and nation. Why?

Hampton Roads is the cradle of America's religious life. From the journals of the first settlers at Jamestown, one learns that on April 29, 1607, "… after the revered fashion of old Christian explorers and discoverers, they set up a cross on the spot of their first landing and called that place Cape Henry." Thus, we have a record of the beginning of religious life for what was to become the first permanent English settlement in the new world. Upon entering the Chesapeake Bay, explorations took place westward along the river that would be called the "James" and it was agreed that an island many miles upstream, to be named "Jamestown," would be the site of the first settlement.

From Capt. John Smith's journal, these words:

> "When we first went to Virginia I well remember we did hang an awning [which is an old sail] to three or four trees, to shadow us from the sunne; our walles were rales of wood; our seats unhewed trees till we cut plankes; our Pulpit a bar of wood nailed to two neighbouring trees. In foule weather we shifted into an old rotten tent; for we had few better, and this came by way of adventure for new."

> "This was our church till we built a homely thing like a barne, set upon cratchets, covered with rafts, sedge and earth; so was the walls. The best of our houses [were] of like curiosity; but the most part far much worse workmanship, that neither could well defend [from] wind or raine. Yet we had daily Common Prayer, morning and evening; every Sunday two sermons; and every three months the Holy Communion, till our minister died; but our prayers daily with an Homily on Sundaies we continued two or three years after till our preachers came—that is, the next preacher to come after the death of Mr. Hunt."

We also know that there were several enforcements by law for those who missed services of worship. Prescribed punishments included time in the stockade, floggings or even the death penalty! Other than for sickness or guard duty, no allowances were made for absence from church worship.

The early history of the Virginia colony is one of Anglican (Episcopal) history. From the cross planted on the beach at Cape Henry, to the thatch-roofed church in the Jamestown settlement, the progression of history followed immigrant patterns, mostly of English colonists and, therefore, Anglican parishes. In Hampton Roads today, one finds historic churches in many places. One of the more historic is St. Paul's Episcopal Church in Norfolk. A parish brochure states: "When Norfolk was laid out in 1682, the 'Burying Ground,' or churchyard for Elizabeth River Parish was included. A chapel may have been in that location since 1641, but it is certain that by 1690 a more elaborate wood-and-brick church was under construction at the corner of what is now St. Paul's Blvd. and City Hall Ave. It was replaced in 1739 by the present church building. It is now the oldest building in Norfolk and its only pre-Revolutionary War structure." On the Peninsula, Bruton Parish in Williamsburg continues in a structure built in 1715. Many believe it is the longest continuous house of worship in the United States. A number of early patriots (including George Washington, Thomas Jefferson, Patrick Henry and George Wythe) worshipped at Bruton Parish during sessions of the House of Burgesses. St. John in Hampton, built in 1728, is another parish with a long and distinguished history. It barely survived the British invaders of 1812.

Virginia's support of its English state church did not blur the patriots' concern for religious liberty. Following the Revolutionary War and the break from England, the wish to uphold religious liberty became popular mandate. Indeed, Jefferson's tomb inscribes his personally written epitaph: "… author of the Declaration of Independence, of the Statute of Virginia for Religious Freedom, and father of the University of Virginia." The statute, which was enacted by the Virginia legislature in 1786, reads in part,

> "Be it therefore enacted by the General Assembly, That no man shall be compelled to frequent or support any religious worship, place or ministry whatsoever, nor shall he be enforced, restrained, molested, or burthened in his body or goods, nor shall otherwise suffer on account of his religious opinions or belief; but that all men shall be free to profess, and by argument to maintain, their opinions in matters of religion and that the same shall in no wise diminish, enlarge, or affect their civil capacities."

The Virginia statute became a basis for Article VI in the U.S. Constitution guaranteeing religious freedom. Article VI reflects both philosophical toleration of ideas and realistic political considerations. The religious preferences of the states already were quite diverse. There were Puritans in much of New England, Congregationalists in Connecticut, Baptists in Rhode Island, Catholics in Maryland, Dutch Reformed in New York and New Jersey, Quakers and Germans (Lutherans, Moravians and Mennonites) in Pennsylvania, and Anglicans in many of the other colonies including influential Virginia). There never was a serious question of establishing a single state church such as in Europe.

Religious Life Today In Hampton Roads

"Varied and vibrant" must be the words used to describe religious life in Hampton Roads today. From colonial, constitutional protections onward, the religious landscape of Hampton Roads has indeed been broad. **The U.S. census no longer records religious preference, so nearly all of the data concerning religious denominations now are self-reported by religious groups themselves, or they emanate from polls or estimates. A cursory glance at regional telephone books reveals listings for approximately 1,450 distinct religious communities in Hampton Roads.** There is a huge predominance of "Christian" churches, yet congregations also include 22 Jewish synagogues, four Islamic centers, three Unitarian churches, one Sikh and one Ba'hai gathering. A recent column in The Virginian-Pilot (Liz Szabo, Oct. 23, 2001) estimated there is a Muslim population of approximately 2,300 in Hampton Roads. Individual congregations may vary in size from a handful of members to several thousand members in the "mega-church" models.

That said, a January 2002 survey conducted by the Social Science Research Center at Old Dominion University revealed that 89 percent of respondents identified with the Christian faith as their affiliation. Table 1 reports the approximate numbers of various Christian congregations.

These numbers are informative, but do not tell all. Only 49 Roman Catholic congregations are listed, but Roman Catholics tend to have large memberships in each parish. The Roman Catholic population for the region is estimated at 100,000 and has seen an increase of 17,000 members between 1997 and 2001 (The Virginian-Pilot, Oct. 27, 2001). A simple count of the number of Catholic parishes does not reflect this.

The largest denomination in Hampton Roads, however, is the Baptists. Approximately 170,000 people in Hampton Roads belong to a variety of Baptist churches, according to the Glenmary Research Center in Atlanta.

Many trace the increased religious diversity in the United States and in the region to the Immigration Act of 1965, which eliminated the quotas linking immigration to national origins. Since then, Muslims, Buddhists, Hindus, Sikhs, Zoroastrians and new varieties of Jews and Catholics have arrived from around the world. Indeed, there are now more Muslims in the United States than either Episcopalians or Presbyterians.

Table 1
CHRISTIAN CONGREGATIONS IN HAMPTON ROADS

Denomination	Number of Congregations
Non-or-inter-denominational (Protestant)	362
Baptist	218
Pentecostal and/or Holiness	184
Methodist	112
Presbyterian	69
Church of God/in Christ	67
Episcopal	51
Roman Catholic	49
Church of Christ	47
Lutheran	33
Assemblies of God	30
Christian	26
United Church of Christ	26
African Methodist Episcopal/Zion	21
Disciples of Christ	17
Jehovah's Witnesses	17
Full Gospel	16
Seventh Day Adventist	13
Christian Science	12
Mormon	12
Nazarene	10
Orthodox	9
Quaker	6
Salvation Army	3

The theme of *variety* shows itself in many ways across the religious terrain of Hampton Roads. Consider *architecture* as one element of variety. Historic Bruton Parish in Williamsburg was constructed such that parishioners could keep their feet warm via hot bricks and closed pew doors. There was also a seat section for the colonial governor and his entourage, and balconies for plantation slaves and students from the College of William and Mary. Many pre-colonial and colonial churches are magnificent, such as the cathedral-type Gothic churches from the 19th and 20th centuries with some fine examples of delicate stained glass. There are also the plain meeting rooms of church buildings where Protestants emphasized the virtues of *simplicity*. One may find attractive Byzantine interiors in many Orthodox churches. There are also great examples of contemporary church architecture in grand structures of steel and glass with escalators, gyms and theaters. Some churches such as Bank Street Baptist Church in Norfolk have renewed themselves by changing locations and building contemporary sanctuaries.

Worship and music also exhibit important elements of variety. From pipe organs to guitars and keyboards, the music of religion is rich and varied in Hampton Roads. From Bach chorales at historic St. Luke's Church in Smithfield to the rich, Southern gospel harmonies at Mount Gilead Missionary Baptist Church in Norfolk, from Gregorian music to Islamic chants, the feast of music is unending. One may hear bell and chime choirs, wonderful symphonic orchestras or the plaintive voice of a single cantor. Thousands of area volunteers and paid staff give of their time for choir rehearsals and performance schedules. Worship traditions also include everything from interpretive dance ensembles to the burning of incense. Many denominations feel some tension between "contemporary" and "traditional" approaches to worship. Some have responded with eclectic worship offerings and actively advertise those options to the community. Sunday still is the predominant day of worship for Christian congregations, but dozens of churches offer services on other days, or attempt to reach their flocks via the radio, television or the Internet.

The spectrum of preaching and pastoral homilies reveals the breadth of church doctrinal history and tradition, which ranges from scholarly interpretations of a text to emotional, and intensely personal, sharing at congregations such as the Church of God in Christ in Newport News, Rock Church in Virginia Beach and Calvary Revival Church in Norfolk. Sermons vary from five minutes to more than an hour, depending on church custom. Leader attire also varies, from elaborate albs and chasubles patterned from Roman times, to coat and tie, to black robe/academic gown, to the most casual of everyday clothing. Many congregations encourage "comfortable" attire for parishioners as a way to be more welcoming. There is little doubt that those who attend services have become less formal in their dress over the past decade.

Next consider the act of *prayer*. Within Hampton Roads, one can find Muslims kneeling several times a day at the Muslim Center of Tidewater, and Jews, heads bowed, wearing yarmulkes at Congregation B'nai Israel in Norfolk. Roman Catholics at St. Matthews in Virginia Beach or Holy Angels in Portsmouth may pray with the aid of rosary beads and kneel before candles at side altars. Members may pray in "tongues of the spirit" at the New Covenant Church in Hampton, swaying with arms raised and extended, while at St. Andrew Presbyterian Church in Suffolk they stand with heads bowed, eyes closed and hands folded. Some pray with arms outstretched and hands opened toward the heavens, while others, such as Episcopalians and Lutherans, may kneel and recite liturgical responses practiced with reverent memorization since childhood. Some may chant, clap or even collapse as part of the "form" of prayer. Worshipers at the Church of God in Christ in Newport News may shout "Amen!" to both sermon and prayer, or to words from a solo anthem or hymn.

HAMPTON ROADS, AND U.S. TRENDS

The region's religious landscape reflects *distinctive characteristics* peculiar to the Hampton Roads metropolitan area.

- Hampton Roads is home to approximately **100,000 active-duty military personnel** (more than 80,000 in the U.S. Navy) and the entire Department of Defense population, including active-duty personnel, reserves, retirees and family members, totals more than 300,000 in an area with an overall population of 1.5 million. All branches of American military forces are represented within the region. All base commands are staffed with chapels and/or chaplains who serve a large population, and many ships carry chaplains with them when they deploy abroad. Chapels on each base offer a wide range of religious services to military personnel of all faiths. Typically, these chapels are utilized by many different faiths, including those outside the Christian tradition. Many chapel programs include components of worship, religious education, fellowship and marriage/family/counseling services.

  Military personnel often join local congregations and nearly every faith community in Hampton Roads reports active or retired military personnel within its membership. Participation in service/outreach programs also is encouraged, and ship crews and other military groupings often volunteer in wide-ranging community service projects such as Habitat for Humanity, soup kitchens, tutoring, recreational events, and various other community needs and services.

- Hampton Roads is the home location of the extensive national and global ministries of **the Rev. M.G. "Pat" Robertson.** The son of a prominent Virginia congressman and senator, Robertson completed both a law and seminary degree before settling here in 1959. With $70 in his pocket, he purchased a bankrupt television station in Portsmouth, raised money and in 1961 went on the air with CBN (Christian Broadcasting Network). Today, it is one of the world's largest Christian television networks with programming in 180 nations using 71 languages. He also founded a host of other faith-related enterprises: International Family Entertainment (the "Family Channel," a satellite delivery cable TV network which sold in 1997 for $1.9 billion), Regent University, American Center for Law and Justice, Operation Blessing (International Relief and Development Corp.) and The Flying Hospital as ministry extensions. CBN's "700 Club" is one of the country's longest-running shows and reaches an average of a million viewers daily, according to the Regent University Web site. Robertson also has been active politically and often is associated with conservative issues as well as various Republican Party causes and candidates. Dr. Robertson once was a candidate for president of the United States and continues to be considered a formidable political power.

- Approximately three in every 10 Hampton Roads residents are **African Americans**, who have a rich and active religious history. It is difficult to gauge whether it remains true that "the Sunday morning worship hour is the most segregated time each week in the U.S." Nonetheless, casual observation suggests that while many denominations have congregations in the region that are predominantly African American in membership, only a small proportion of any denomination's congregations appears to be substantially integrated. Among denominations, Muslims appear to exhibit the highest degree of racial integration.

  There are many strong and significant African American churches throughout Hampton Roads. Large Southside churches include Calvary Revival Church and Grove Baptist Church, and on the Peninsula, churches such as First Baptist

Church in Newport News. Education and outreach continue to be a focal point for African American churches. Prime examples of these activities are found within Bank Street Baptist Church in Norfolk and First Baptist Church in Newport News. African American churches often fulfill social and economic roles well beyond those of Caucasian churches.

- A significant and historically influential **Jewish population** exists in Hampton Roads. Recent studies indicate that Hampton Roads boasts about 6,600 Jewish households with an estimated population of 14,600 (Steven Vegh, The Virginian-Pilot, March 14, 2002, and the Peninsula Jewish Community Center). Vegh reported that 53 percent of the "south-side" households (5,400 total households, 11,000 people) are in Virginia Beach, up from 50 percent in 1994, while 33 percent are in Norfolk, down from 37 percent in 1994. The rest were distributed among Chesapeake, Portsmouth and Suffolk. Fifty-eight percent of Jews actually are members of a synagogue. The Hampton Roads region claims temples and synagogues that identify with each of the three major Jewish traditions: Orthodox, Conservative and Reformed.

  Hampton Roads Jewish Americans always have placed strong emphasis upon charitable and social endeavors, support for human and civil rights, and ecumenism. "It's not the 'social Gospel,' it's the 'social Torah,' " commented an activist Jewish American who cited Judaism's long commitment to social justice and *mitzvoth*, or good deeds.

The Hampton Roads Religions Survey

During January 2002, a stratified, random sample of 747 individuals was interviewed for the "State of the Region" report. The goal of the survey was to learn more about the religious activities and preferences of Hampton Roads residents. The relatively large size of the sample permits us to say that were we to take another sample of the same size, in at least 95 percent of the cases the results would deviate no more than + or - 3.6 percent from the results reported here.

All of the survey respondents lived in one of the designated Hampton Roads municipalities. As Table 2 indicates, with the exception of Portsmouth, the distribution of respondents across municipalities closely matched the population from the 2000 census.

DEMOGRAPHICS

Sixty-four percent of the sample respondents were white, 28 percent black, and 7 percent Hispanic, Filipino, Asian, or some other race or ethnicity. This closely reflects the actual population of the region. Thirty-seven percent of the sample participants were male, and 63 percent were female. Fifty-seven percent were married, 25 percent were single and never married, and 18 percent were widowed, separated or divorced. Forty-one percent of respondents had at least a college degree. Forty-nine percent worked in an occupation considered professional, managerial or sales, while 14 percent were retired, 2 percent unemployed and 5 percent active military. Eighty-three percent of respondents had lived in Hampton Roads more than three years, while 6 percent had lived in the area less than a year. The average age of the respondent in this sample was 44 at the time of the survey.

Table 2
RELIGIOUS PREFERENCES IN HAMPTON ROADS

Baptist	32 percent
Roman Catholic	17 percent
Independent	11 percent
Methodist	8 percent
Pentecostal	7 percent
Episcopal	4 percent
Presbyterian	4 percent
Lutheran	2 percent
African Methodist Episcopal	2 percent

Sixty-two percent of those surveyed said they participate in a particular faith community or congregation. Of these, 72 percent said they attend services almost every week, a percentage that exceeds reported national averages by approximately 30 percent! (One suspects some respondents exaggerated their religious commitment.) However, only 62 percent indicated they actually were attached in some way to a specific congregation's activities. Table 2 indicates area religious preferences. Sixty-nine percent of those who participated in a faith community or congregation had been a member for more than three years. Twelve percent had been members for less than a year.

By comparison to the most comprehensive portrait of religious identification in the United States today (the American Religious Identification Survey 2001 conducted by City University of New York), 52 percent of adults in America are Protestant, 24.5 percent are Catholic, 14.1 percent adhere to no religion, 1.3 percent are Jewish and .5 percent are Muslim. In 1990, 86 percent of the American population claimed to be Christian, but that figure declined to 77 percent by 2001. **Meanwhile, the non-Christian population increased during the same decade, from 3.3 percent to 3.7 percent and, most significantly, those claiming "no religious identification" increased from 8 percent to 14.1 percent. Both nationally and within Hampton Roads, the "unchurched," non-religious segment of the population appears to be growing quite rapidly.**

Reflecting national trends, those who are actively religious within Hampton Roads are more conservative than the population at large:

- 45 percent "conservative" or "somewhat conservative"
- 28 percent "liberal" or "somewhat liberal"
- 23 percent "moderate."

Nationally, the proportion of all citizens who identify themselves as conservatives or liberals is approximately equal. **Nevertheless, those who profess a strong attachment to religion and who attend religious services regularly are considerably more conservative than the population as a whole and much more likely to have voted Republican in the 2000 election.** Hampton Roads appears to mirror these relationships, though it is curious that the survey also revealed that the typical member of a congregation believes that his/her congregation is more conservative than he/she is. The typical member of a Hampton Roads religious congregation believes that he/she is a bit more tolerant and liberal than those who sit next to them in the pews.

When asked whether their congregation/faith community participates in political activity, 20 percent said they participated sometimes, 12 percent said "on a regular basis," and 57 percent said "rarely or never." Congregational political activity levels vary dramatically among religious traditions in Hampton Roads. Political activity or "issues education" is more common among African American congregations and fundamentalist Protestant denominations than it is among Roman Catholics or historically mainline Protestant denominations such as Episcopalians and Methodists. African American congregations tend to be associated with Democratic Party issues and efforts, while the more fundamental Protestant groups are generally aligned with the Republicans. It is not unheard of in either tradition for a pastor to endorse a particular candidate from the pulpit or to instruct congregational members "what the Christian viewpoint is" on a particular issue.

When respondents were asked, "Would you say that your congregation/faith community emphasizes personal devotion or community outreach?" 43 percent said "outreach," 41 percent said "both" and 16 percent said "personal devotion." Thus, it appears that the typical member of a religious community within Hampton Roads believes that community outreach and activism are a very important part of their religious experience. Participation and financial support do not always back up these words, however. Pastors and religious leaders report that community involvement in their congregations typically is carried out by a small proportion of their members and that one of their most difficult challenges is to convince congregation members to financially support community outreach activities, especially those at a national or international level.

Table 3
HOW RELIGION INFLUENCES THE LIVES OF HAMPTON ROADS RESIDENTS

Scope of Influence	Percent Who "Agree" or "Strongly Agree"
My congregation/faith community greatly influences *individual lives*	90%
My congregation/faith community greatly influences my *neighborhood*	52%
My congregation/faith community greatly influences the *Hampton Roads region*	65%
My congregation/faith community greatly influences *the nation*	49%
My congregation/faith community greatly influences *the world*	51%

Respondents also were asked to react to several statements about the scope of influence their congregation/faith community has on individual lives, the neighborhood, the region, the nation and the world. Table 3 reports these results.

Influences relating to *individual lives* centered upon teaching and speaking "the Word" or Christian values and morality; mission outreach which teaches about God, the Bible or spiritual matters; and community service (meeting the needs of people outside the membership) and counseling/support/fellowship activities.

Influences relating to *neighborhood* included community outreach/involvement/service teaching and prayers directed toward the local area.

Influences relating to the *Hampton Roads* region included charity work, fund raising, shelter/food/medical/counseling, and educational support as part of congregational ministries and teaching ministries.

Influences relating to *the nation* included political/social issues, outreach/mission work and national organizations' influences such as Christian Coalition, Southern Baptist Conference and other networking relationships.

Influences relating to *the world* included missionary work (mainly global), worldwide church relationships/networks (denominational), outreach and community involvement.

Respondents also were asked, "How important is it that your faith community/congregation welcome newcomers?" Ninety-three percent said "fairly important" or "very important." This high percentage reflects the perceived need to welcome the newcomer in Hampton Roads into the life of religious communities. If approximately one-fourth of the population is military-related, and some 75,000 college students live within the region, then the demands on the faith communities to "welcome strangers" are enormous. The transience of people in the region may be the reason why 93 percent believe that ministries of welcome and hospitality are so vital. The poll found congregations engaged in: 1) greeting visitors at the door and at fellowship time during or around the worship service (153 respondents); 2) introducing visitors during the worship service (90 respondents): and, 3) collecting names, addresses and phone numbers on visitor information cards so that follow-up contacts may be made (64 respondents).

With regard to ecumenical and inter-faith climate among Hampton Roads congregations, 49 percent said their faith communities are actively engaged in some form of ecumenism, 27 percent said they are open to the idea but not actively engaged, and 14 percent said they are not actively engaged and probably won't be. When asked what forms such ecumenism takes, respondents indicated joint educational opportunities with other communities; joint worship; pastor exchanges; openness to attendance in the other communities; and community services, including food banks, soup kitchens, shelter, emergency and other economic cooperation among the congregations. Some sharing of holiday worship also occurs, and some attention is given to recreational/social activities and cooperative witness and evangelism efforts.

Finally, 74 percent of the respondents said their faith community/congregation was growing, 22 percent said their congregations were stable and 4 percent believed they were losing members. This is an interesting response in that other evidence suggests many congregations actually are experiencing falling membership and attendance. Nonetheless, among the growing churches, respondents believed these were the main factors:

1. Accepting, welcoming, caring by congregations with family atmosphere as the personality of the congregation
2. Content of the service: the word of God, preaching/teaching
3. Leadership/personality of the minister/preacher.

In point of fact, the size of more than a few congregations has declined. Indeed, this is true for entire denominations. However, there are contrary, somewhat disputed, polls suggesting church attendance in the United States increased from 1939 (41 percent) to 2001 (47 percent) and that it remains the highest in any developed country. Nonetheless, respondents did not exhibit any consensus on why their faith communities/congregations might be declining.

Because so many of the poll respondents named outreach and community service as important aspects of their congregational/faith community life, there is little doubt that the region is the beneficiary of a great amount of charitable work through offerings from those who identify with religious communities. Though local polls may prove inadequate for assessing regional patterns of giving, some national statistics have been advanced. Robert A. Sirico, president of the Acton Institute for the Study of Religion and Liberty in Grand Rapids, Mich., wrote in the Dec. 24, 2001, issue of the Wall Street Journal, "In the weeks after the Sept. 11 attacks, Americans displayed astounding levels of generosity, donating $1.3 billion to the victims. Nor was this unusual. Two percent of the American GDP, or $203 billion, is voluntarily donated to charity each year, a level of giving that has been stable for 40 years." **Religiously active people give two-thirds of all charitable dollars in the United States and donate 3.4 percent of their incomes annually, while people who do not profess or practice a faith give less than 1.5 percent.**

There are other "good neighbor" derivatives from those affiliated with religious communities. Specifically, April 2002 poll results from the U.S. Congregational Life Survey of over 300,000 worshipers in more than 2,000 U.S. parishes found the following:

- Almost three-quarters (73 percent) donated money to a charitable organization other than their congregation.
- Almost half (49 percent) prepared or gave food to someone outside their family or congregation.
- More than one in four (30 percent) loaned money to someone outside their family.
- More than one in five (23 percent) helped someone outside their family find a job.
- More than one in five (22 percent) cared for someone outside their family who was very sick.
- Religiously active individuals are more likely to vote than the average American (76 percent of worshipers voted in the November 2001 election compared to 50 percent of the U.S. population at large).
- In the last year, 21 percent worked with others to try to solve a community problem.
- Nineteen percent contacted an elected official about a public issue in the last year.

These are impressive differences in behavior and are supportive of the notion that religiously active people in Hampton Roads (and throughout the United States) live different lives from others and have different value systems. Indeed, even antagonistic observers of the above phenomena no doubt would be inclined to say that, whatever their origin, they are desirable behaviors and are part of the glue that keeps society together.

Finally, in a very small, random (and quite unscientific) sampling of Hampton Roads clergy, each was asked to estimate the percentage of their congregation who were native to Hampton Roads (36 percent estimate) and from outside the region (64 percent estimate). Many of the "outside the region" individuals have military connections. Thus, clergy were asked, "What do you perceive to be the most pressing needs of military persons/families?" Their answers:

- Relocation and transition support
- Family support during deployment and personal crises
- Sense of community/belonging and involvement
- "Godspeed" and "welcome home" rituals
- Advocacy of high pay (an intriguing response that focuses only indirectly on religious needs)
- Roots and stability for even "short-time" members or visitors.

When asked, "What do you wish the religious community would address in this region?" their answers included:

- More interfaith/ecumenical dialogues
- More cooperative outreach and social ministries
- Regional identity formation (an interesting response with only some religious connotations)
- Economic justice, housing and transportation for the poor, and race relations.

When asked, “What do you believe are the strengths of the religious community in Hampton Roads?” answers included:

- Compatibility
- Respectful, educated, skilled clergy
- Ecumenical vision
- Significant ministries by the faith communities
- Diversity issues (both theological and ethnic) were perceived to be strengths.

The Notion Of Excellent Congregations

What makes one religious community or congregation more successful than another? In the late 1990s, Professor Paul Wilkes of the University of North Carolina, Wilmington, funded by a grant from the Lilly Foundation, conducted a parish/congregation study project of what excellence looks like in the life of a congregation. One portion of the study specifically looked at Roman Catholic parishes and another looked at Protestant congregations. Other religious traditions were not considered. Wilkes described excellent congregations as “having missionary authenticity. Excellent congregations are identified as those that impact the lives of their people and are making a difference in their communities.” Within Hampton Roads, seven congregations were identified as being especially effective in their ministries (see Table 4).

Table 4

EXCELLENT PROTESTANT AND ROMAN CATHOLIC CONGREGATIONS IN HAMPTON ROADS

Holy Spirit Roman Catholic Church	Lynnhaven Parkway, Virginia Beach
Ascension Roman Catholic Church	Princess Anne Road, Virginia Beach
Calvary Community Church	Tower Place, Hampton
First Baptist Church	Kempsville Road, Norfolk
First Lutheran Church	Colley Avenue, Norfolk
Rock Church of Norfolk	Little Creek Road, Norfolk
St. Paul’s Episcopal Church	St. Paul’s Boulevard, Norfolk

Sources: “Excellent Protestant Congregations: The Guide to the Best Places and Practices,” published by Westminster/John Knox Press, 2001; and “Excellent Catholic Parishes: The Guide to the Best Places and Practice,” published by the Paulist Press, 2001

What is there about these congregations that has made them vibrant and successful? They tend to be congregations that draw their membership from throughout the region rather than from a highly localized geographic area. They are risk-taking and entrepreneurial and willing to stretch their notions of their ministries, especially with respect to the community. The laity occupies a central role in the life of all of these congregations, and these congregations typically hold the Bible as their core rather than as a merely useful reference for their worship and beliefs. These congregations tend to have skilled, veteran pastors who have been in place for years. Typically, they have active youth and young-adult programs.

A Look At The Future Of Religion In Hampton Roads

What generalizations can we make about current religious life in Hampton Roads and what can we say about its future?

1) **The number of individuals identifying themselves as "Christian" is decreasing at the same time the number of individuals claiming non-Christian affiliations is increasing. Further, the number of those who self-identify as "un-churched" is increasing. Increasing religious diversity is a fact, and some argue that religion gradually is losing its central place in American society.**

2) **Small congregations are vulnerable to the loss of members, depletion of energies and the lack of economic resources. An increasing proportion of Christians in Hampton Roads is attracted to larger, "mega-church" congregations such as that at Rock Church. In Hampton Roads and elsewhere, the fastest-growing churches are independent congregations founded in the past few decades.**

3) **"Local" congregations and their ministries seem to be the action centers for mission activity and exhibit a degree of "disconnect" from denominational, national and global allegiances. In some sense, denominations are going out of style. It remains to be seen if labels such as Methodist, Episcopal and Baptist will hold great meaning 50 or 100 years from now.**

4) **Religious use of the Internet is exploding in volume. More than 1 million religious sites now populate the Internet and are visited by 25 million people each month. According to the Wall Street Journal (June 10, 2002), the Web site of Live Oak Baptist Church near San Antonio recorded an amazing 556,000 "hits" in March 2002. Some church services are shown in entirety over the Internet. The relationships fostered by the Internet often challenge traditional notions of religious communities and congregations.**

5) **Ministries of welcome and hospitality create a climate for the newcomer and the "seeker" to find a niche and a sense of belonging. They are especially critical to individuals choosing a faith community—more so than denominational identities.**

6) **Lay members of congregations are increasingly likely to lead worship services.**

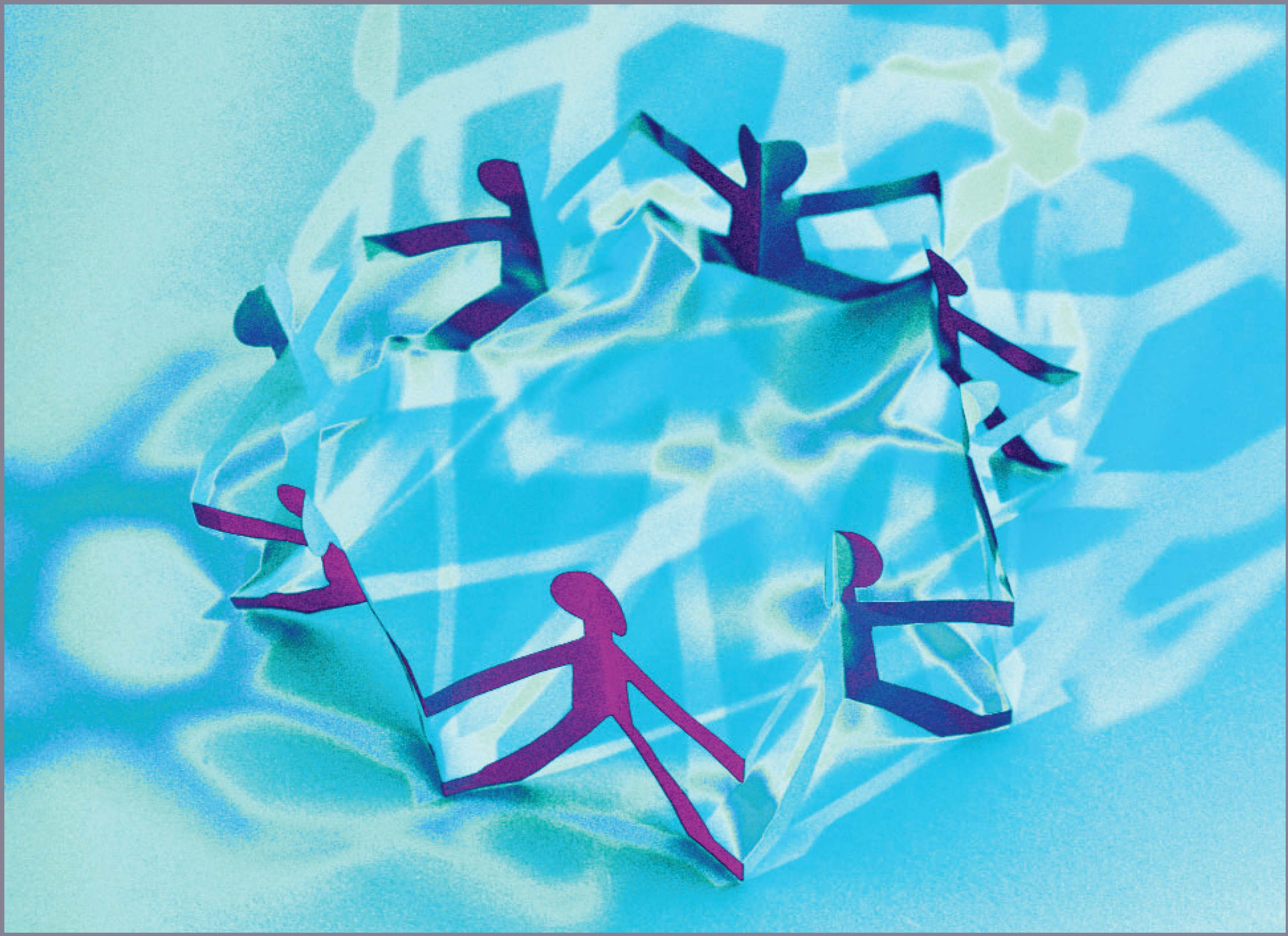
7) **People want significant "serving" opportunities and those who have satisfactory experiences usually become strongly committed to congregations that provide such experiences.**

8) **There is a hunger and thirst for teaching/training in faith traditions. Even so, there is great diversity here. Some people want simplistic, "bottom-line" faith and are "doctrinal minimalists." Others wish for deep and expansive knowledge of traditions, of histories and of beliefs in great and studied detail. Some of these same dynamics compete with respect to worship styles—for example, "contemporary" and "traditional."**

9) **While "mega-churches" continue to prosper, there nonetheless also has been a proliferation of small, frequently ad hoc "group" or "theme" ministries, for example, those dealing with military wives or welfare recipients. Such ministries address perceived short-term needs for relationships, however temporary such relationships turn out to be. This is especially true in Hampton Roads, with its large, transient military and college populations.**

10) **Religious faith runs deep in the American experience and continues to do so. Americans continue to be more actively religious than their largely European ancestors.**

11) **The 20th century will be known as one of the most significant times for ecumenism. Yet, it is not clear whether churches will find enhanced or diminished lives as a result. Some commentators predict loss of identity in a "religious melting pot." Others believe identities and traditions are enhanced as new self-discoveries of histories and traditions accompany this venture. Which bend in the road will this movement take?**



public social services

Public Social Services In Hampton Roads: A Primer

"…the good we secure for ourselves
is precarious and uncertain, is
floating in mid-air, until it is secured
for all of us and incorporated into our common life".

– Jane Addams

This chapter is a short course on the provision of public social services in Hampton Roads. We realize many readers may regard the material as the equivalent of castor oil. The typical reader perhaps emanates from a stratum of society which has little contact with public social services – the oft-maligned "welfare system." Most citizens are comforted to know such a system exists, but many would rather not know its messy details. But, we assure you that the version of civic castor oil that we have concocted will be good for you. It may not taste good, but drinking it is a necessary part of informed citizenship in Hampton Roads. Considering the large number of citizens who are part of the public social services system, the considerable amount of money involved, and the almost uncountable human agonies and triumphs of those within the system, this chapter is a "must read" for all who want to make Hampton Roads a better place to live. (We will examine the provision of privately funded social services in next year's "State of the Region" report.)

Some Background

Jane Addams, a tireless social activist of the early 1900s, helped introduce many of the program concepts still found today in public social services. Addams and a cadre of women friends living in Chicago opened Hull Settlement House and ran a myriad of programs to help immigrants make the transition into American society. She often has been criticized for leading the way to today's welfare system. Nonetheless, her goal was to ease the dire effects of poverty and disease on immigrant families. Programs and initiatives included: child care, the first kindergarten, parenting programs, a gymnasium, employment programs, and employment laws protecting women and children. Working-class women during this era put in long hours without having any professional child care available. There was also a lack of medical care available for infants, leading to a high infant mortality rate. Profound concern over this high rate led to the first efforts of documenting the number of infant deaths. Other initiatives included mapping the ethnicity of people in the local neighborhood as well as the wages they earned. Thus began the very first use of social scientific data to initiate reform.

Today, almost 100 years later, a broad array of publicly funded benefit programs and services are available to help people. But do they work? How do we evaluate their results? Are they adequately funded? And who benefits? That is the focus of this chapter.

The Public Social Services Structure In Hampton Roads

The Virginia Department of Social Services (VDSS) is responsible for the management and implementation of financial assistance, employment, and social service programs and initiatives including food stamps and Medicaid. These programs are administered by 122 local social service agencies. The VDSS has five regional offices that serve as liaisons between the central office and the local departments of social services. Hampton Roads essentially comprises the Eastern Region and consists of the following cities and counties: Accomack, Chesapeake, Franklin City, Hampton, Isle of Wight, James City, Newport News, Norfolk, Northampton, Portsmouth, Southampton, Suffolk, Virginia Beach, Williamsburg and Yorktown/Poquoson.

The directors of Eastern Region social service agencies meet regularly in an effort to share information, enhance service provision and benefit those they serve: the thousands of people who are partially or totally incapacitated by poverty, age, abuse, physical, mental or emotional debility, neglect, limited education and inadequate socialization. Sometimes people cannot, by themselves, counteract the misfortune that happens to them or into which they have been born. Many do not need long-term help; often they just need a "helping hand" over the rough spots.

1. What kinds of public services are available?

2. From where does the funding come?

The overriding goal of public social services is to provide fiscal and social support for citizens who need assistance, and primarily for those least able to obtain such support. Services are intended to be temporary and to provide means for individuals and families to achieve their greatest potential.

Social services in Hampton Roads are organized and structured somewhat differently within each county and city, but the same essential services are found from locality to locality. Still, "navigating the maze" requires skill and know-how – whether one is seeking some type of public assistance or has just graduated with a master's degree and is looking for employment. The following types of services are found in each city and county:

Financial Assistance: provides basic necessities, food, clothing, shelter and medical care

Employment Services: facilitates self-sufficiency through employment, encourages upward mobility and life-long learning

Social Work Services: assists families and individuals to better manage their lives and deal with crises that impact their lives

Emergency Shelter Management: provides emergency shelter, mass care and mass feeding during hurricanes, flooding, and other emergencies or disasters.

This chapter will look primarily at financial assistance services, also referred to as benefit programs. In doing so, it needs to be acknowledged that social services include more than just these types of welfare programs. However, the benefit programs provide a starting point in this review and are of considerable interest, as the majority are mandated programs.

Table 1 lists the total amount of funding utilized by localities for each program and the number of individuals or families served by each locality. Dollar amounts represent the amount of benefits paid out and do not include staff costs. All benefit programs have their basis in legislation at either the federal or state level. Funding sources vary for each program but all include one or more levels of government.

Table 1

THE ACTIVITIES OF PUBLIC LOCAL SOCIAL SERVICE AGENCIES IN HAMPTON ROADS (FY 2001)

Select Localities	Auxiliary Grants for the Aged and/or Disabled		Energy Assistance		Food Stamps		General Relief	
	Case-Load	Expenditures	Case-Load	Expenditures	Case-Load	Expenditures	Case-Load	Expenditures
Chesapeake*	1,496	$ 432,293	2,847	$ 545,757	3,483	$ 7,591,236	118	$ 23,360
Franklin City	21	$ 74,328	565	$ 115,354	579	$ 943,970	0	$ 0
Isle of Wight	49	$ 123,593	744	$ 173,307	918	$ 1,497,435	23	$ 26,743
James City	25	$ 70,717	40	$ 121,840	650	$ 1,065,901	51	$ 19,995
Newport News	158	$ 563,000	3,560	$ 742,639	5,793	$ 1,343,251	174	$ 65,706
Norfolk	354	$ 957,473	4,301	$ 101,862	10,765	$23,235,000	139	$ 475,000
Portsmouth	107	$ 387,228	2,584	$ 441,267	4,429	$ 9,350,000	254	$ 222,716
Southampton	31	$ 107,085	1,036	$ 212,566	700	$ 1,025,894	14	$ 3,666
Suffolk	75	$ 272,125	2,586	$ 677,702	2,671	$ 4,328,001	168	$ 18,810
Virginia Beach	122	$ 347,017	1,857	$ 420,840	5,287	$ 9,541,784	151	$ 160,481
Williamsburg	144	$ 43,040	0	0	163	$ 180,801	134	$ 21,853
York/Poquoson	20	$ 54,400	467	$ 90,900	500	$ 888,000	60	$ 42,100
	2,672	$3,670,759	25,205	$4,460,116	38,271	$64,013,148	1,365	$1,202,277

*Chesapeake. is the only loaclity listed that does not have Emergency Shelter Managment
Source: Eastern Region Local Departments of Social Services 2002 Information Resource Book

Table 2 indicates the funding source for these programs. Local governmental units in Hampton Roads pay large proportions of general relief costs, Medicaid expenditures and FAMIS (Family Access to Medical Insurance Security) costs. Many local government officials view these expenditures as "uncontrollables" and believe more state and federal funding should be forthcoming in these areas.

Table 2

SOURCES OF FUNDING FOR LOCAL SOCIAL SERVICE BENEFIT PROGRAMS

Program	Funding Ratio for Benefits Paid Out	Funding Ratio for Administrative Costs	Comments
Auxiliary Grants for the Aged and Disabled	80% state 20% local	80% state 20% local	Mandated program Benefits capped
Energy Assistance	100% federal	100% federal	Mandated program Benefits capped
Food Stamps	100% federal	50% federal, 30% state, 20% local	Mandated program Benefits capped, but never spent out
General Relief	37.5% state 62.5% local	37.5% state 62.5% local	Non-mandated program, optional for localities Benefits capped
Medicaid	50% federal 50% state	50% federal, 30% state, 20% local	Mandated program Not capped, open-ended Direct program expenditures
FAMIS	66% federal 34% state	10% of federal funds received are allotted to administrative costs	Non-mandated program States have flexibility regarding capping benefits, Virginia has capped
State-Local Hospitalization	100% federal	100% federal	Mandated program Benefits capped, limited allocation
Refugee Resettlement Program	100% federal	100% federal	Mandated program Benefits capped

Source: Eastern Region Local Departments of Social Services 2002 Information Resource Book

Financial Services

Let's now take a closer look at the various types of financial assistance provided by public-sector social service agencies in Hampton Roads.

AUXILIARY GRANTS FOR THE AGED AND DISABLED

This program provides financial assistance to certain needy aged, blind or disabled persons in licensed adult care homes ("assisted-living facilities") whose income is insufficient to cover the cost of their care. Recipients must meet eligibility criteria; they use these funds as a partial means to pay for care provided by the facility. Individuals who receive money from this program also receive a Medicaid card to use for medical bills.

Eastern Region social services benefit funding for auxiliary grants for the aged and disabled totaled $3,670,759 in 2001. This funding is a mixture of state monies (80 percent) and local contributions (20 percent) for both benefits and administrative costs. The total caseload in 2001 for the Eastern Region was 2,672 people. Norfolk served the largest caseload (354) and paid out $957,473 in benefits. York/Poquoson served the smallest caseload, totaling 20 individuals, with $54,400.

For-profit firms often operate assisted-living facilities. There also are a number of facilities for the frail elderly that are faith-based and non-profit. Many facilities that house the frail elderly are faced with staffing shortages and cannot always meet minimum standards of care established by the federal government. Although the Department of Social Services in each locality determines eligibility for funds, it is inspectors from the Commonwealth's Department of Social Services who are responsible for monitoring the level of care provided at assisted-living facilities. In Virginia, there are 673 such facilities; 128 of these institutions are found in the Eastern Region. Virginia has only 38 regular inspectors for the entire state who visit these homes for monitoring purposes, considerably fewer than are needed.

ENERGY ASSISTANCE

This program provides financial assistance for the payment of heating or cooling costs of households that meet certain income and resource criteria. Emergency assistance can also be provided to households to buy, rebuild or repair a primary heating source or pay for security deposits (once-per-lifetime) necessary to have the primary heating source turned on or to prevent its cut-off. Funding comes from the federal government. Some localities such as Norfolk have contracted out their disbursement of funds to those in need to outside non-profit agencies. In Norfolk, the STOP Organization assists those who are eligible to meet emergency heating/cooling costs. The departments provide monitoring and conduct audits of their expenditures. In 2001, the Eastern Region received $4.46 million in federal funding for this program and served a caseload of 25,205 people. Newport News had the largest caseload (3,560).

FOOD STAMPS

The Food Stamp Act of 1977 was designed to safeguard the health and well-being of the nation's population by raising levels of nutrition among low-income households. Another goal was to help provide food during emergency and financial disasters. The program is limited to U.S. citizens and certain legal aliens. The amount a family receives depends on income, resources, shelter costs and certain non-financial criteria such as age, disability, student status, and registration for the Training and Employment Program, where applicable. Able-bodied adults without children may receive benefits for the first three months of eligibility. Continued eligibility is based on satisfying a work/training requirement, unless a work-requirement exception is met.

Food stamps can be used to buy any food or food product for human consumption, seeds and plants for home gardens, and meals (if one is homeless) from authorized restaurants. They cannot be used to purchase alcoholic beverages, tobacco, hot foods, pet foods, or soap or paper products, nor can food stamps be used to pay previous grocery bills.

Recent federal welfare reform legislation requires states to implement an electronic benefits transfer (EBT) system that allows recipients to use plastic cards to purchase food using their food stamp benefits. In March 2001, the Virginia Department of Social Services entered into a three-year agreement with CitiCorp Service Inc. to provide this service. EBT, which was scheduled to be in operation statewide in August 2002, is expected to reduce the incidence of fraud, theft and abuse.

A total of $64,013,148 was allocated to the Eastern Region for food stamps from a variety of government funding sources in 2001. These funds assisted a caseload of 38,271 families and individuals. The funding stream for the Food Stamp Program is 100 percent federal for benefits, though administrative costs are paid through a mixed funding stream of 50 percent federal, 30 percent state and 20 percent local.

GENERAL RELIEF

The General Relief Program (GRP) is designed to address the needs of people who do not meet the eligibility criteria for federal programs such as Temporary Assistance to Needy Families (TANF) or Supplementary Security Insurance (SSI). The Code of Virginia allows a local social services department to establish a GRP and to choose what specified assistance components will be provided within the local plan. The cities and counties within Hampton Roads provide the following kinds of general relief:

- **Indigent Burial Program:** provides financial assistance on behalf of deceased indigent individuals who or whose families have no resources to pay for the cost of a public burial.

- **Emergency Medicine Program:** provides payments to vendors on behalf of needy individuals who meet program resource and income guidelines to pay for the cost of prescription medicines and supplies. Payments are limited to $50 per month for prescription drugs and $25 monthly for medical appliances/supplies prescribed by a physician, for a maximum of six months in a 12-consecutive-month period.

- **Unattached Child Program:** provides financial assistance to the caretakers of needy children up to age 18 for whom the degree of relationship with the adult caretaker cannot be traced. Children in this program are also eligible for Medicaid.

A total of $1.2 million was allocated to Eastern Region localities in 2001, with the Commonwealth providing 62.5 percent and localities 37.5 percent. These funds assisted a caseload of 1,365 people.

MEDICAID

The Medical Assistance Program (Medicaid), established under Title XIX of the federal Social Security Act, enables states to provide medical care to medically needy indigent citizens and certain aliens. Medicaid is no longer tied to or based on eligibility for welfare. Nor can states limit Medicaid eligibility to families that receive TANF benefits. States must provide Medicaid coverage to families who: (1) have a dependent child living with them; (2) have income and resources that would have qualified them for Aid to Families with Dependent Children under the state plan in effect on July 16, 1996; and (3) meet certain deprivation requirements (e.g., absent parent).

By any standard, Medicaid is a huge program; more than $532 million was expended within the Eastern Region in FY 2001. Eligibility is determined according to income, resources and other criteria established by the state Department of Medical Assistance Services (DMAS). The Medicaid program is administered by both DMAS and the Department of Social Services. DMAS is responsible for designating the medical care to be covered under the state plan. The Department of Social Services carries direct responsibility for the determination of initial and continued eligibility for medical assistance and enrollment in the medical program and also for certain patients in state-owned hospitals and long-term facilities.

Medicaid costs and usage by service type for the Eastern Region are reported in Table 3. The data reflect costs and usage through fee-for-service visits (private doctor visits) and the same through the Medallion II program. It appears that health care provided through the Medallion II program is more cost-effective. Medallion II was created for the purpose of improving access to care, promoting disease prevention, ensuring high-quality care and reducing Medicaid expenditures. Under the program, Managed Care Organizations (MCOs) contract with DMAS through the state procurement and contracting process. MCOs provide most Medicaid services within their provider network for a set capitation rate. Annual rates are set at less than fee-for-service by the actuarial firm PriceWaterhouseCoopers. Medallion II has been operational since Jan. 1, 1996, and serves more than 142,000 recipients throughout Virginia. According to DMAS, "The managed-care programs in Virginia have been successfully received by the Health Care Financing Administration (HCFA) from 1997 through 2000. HCFA considers Virginia to be one of the top 10 states in the country in terms of program stability and growth."

Table 3
ANNUAL LOCAL MEDICAID UTILIZATION (FY 2001)

	FEE FOR SERVICE		MEDALLION II		TOTAL MEDICAID			
	Expenditures for the Year	Individuals Enrolled (7/1/00)	Expenditures for the Year	Individuals Enrolled (7/1/00)	Expenditures for the Year		Individuals Enrolled	
VIRGINIA	**$1,906,658,603**	**334,866**	**$318,604,274**	**142,275**	**$2,225,262,876**		**477,141**	
EASTERN REGION	**$ 344,731,815**	**43,062**	**$187,540,114**	**83,658**	**$ 532,271,929**	**23.9%**	**126,720**	**26.6%**
Accomack	$ 14,218,133	1,929	$ 5,167,274	2,362	$ 19,385,407	3.6%	4,720	3.4%
Isle of Wight	$ 9,460,600	1,093	$ 3,085,196	1,266	$ 12,545,796	2.4%	2,359	1.9%
James City	$ 5,280,788	697	$ 2,070,256	992	$ 7,351,044	1.4%	1,689	1.3%
Northampton	$ 6,518,684	1,084	$ 2,872,306	1,173	$ 9,390,990	1.8%	2,257	1.8%
Southampton	$ 6,894,680	991	$ 2,209,972	856	$ 9,104,652	1.7%	1,847	1.5%
York	$ 5,130,645	523	$ 1,728,362	878	$ 6,859,007	1.3%	1,401	1.1%
TOTAL COUNTIES	**$ 47,503,530**	**6,317**	**$ 17,133,366**	**7,527**	**$ 64,636,896**	**12.1%**	**13,844**	**10.9%**
Chesapeake	$ 30,387,181	3,992	$ 17,715,884	8,320	$ 48,103,065	9.0%	12, 312	9.7%
Franklin City	$ 3,910,857	602	$ 2,217,721	803	$ 6,128,578	1.2%	1,405	1.1%
Hampton	$ 28,924,681	3,518	$ 16,258,354	8,090	$ 45,183,035	8.5%	11,608	9.2%
Newport News	$ 44,453,549	5,813	$ 27,054,152	12,320	$ 71,507,701	13.4%	18,133	14.3%
Norfolk	$ 70,331,269	8,587	$ 46,147,644	20,564	$ 116,478,913	21.9%	29,151	23.0%
Poquoson	$ 1,041,708	114	$ 292,954	131	$ 1,334,662	0.3%	245	0.2%
Portsmouth	$ 35,191,506	4,095	$ 22,484,216	9,763	$ 57,675,722	10.8%	13,858	10.9%
Suffolk	$ 24,027,903	3,126	$ 11,459,550	4,502	$ 35,487,453	6.7%	7,628	6.0%
Virginia Beach	$ 56,861,497	6,690	$ 26,189,620	11,391	$ 83,051,117	15.6%	18,081	14.3%
Williamsburg	$ 2,098,134	208	$ 588,653	247	$ 2,684,787	.5%	455	0.4%
TOTAL CITIES	**$ 297,228,285**	**36,745**	**$170,406,748**	**76,131**	**$ 467,635,033**	**87.9%**	**112,876**	**89.1%**

Source: Eastern Region Local Departments of Social Services 2002 Information Resource Book

Medicaid funding for benefits is covered by 50 percent federal and 50 percent state dollars. Administrative costs are supported through a mixed funding stream of 50 percent federal, 30 percent state and 20 percent local monies.

FAMIS

The Family Access to Medical Insurance Plan (FAMIS) provides health insurance for uninsured children up to age 19 who do not qualify for Medicaid and live in families with incomes up to 200 percent of the federal poverty level. FAMIS provides health insurance benefits similar to those one would typically find in a comprehensive private health insurance plan.

FAMIS is authorized by Title XXI of the Social Security Act. Sixty-six percent of its funding is from the federal government and 34 percent from the Commonwealth. As is true with Medicaid, FAMIS is administered by the Department of Medical Assistance Services. Applications and eligibility are determined in Richmond, and FAMIS benefits are delivered by managed-care entities.

The goal of FAMIS is to provide low-cost health insurance coverage to eligible children, but it is not an entitlement program. Eligibility is based on gross income and includes other factors as well. Enrollment efforts have been under way since 1998, when Title XXI funding was first available to Virginia. However, the state lags behind in enrollment with about 42,132 (as of April 30, 2002) children signed up out of a total 63,200 originally targeted by the state. The Virginia Coalition for Children's Health, however, believes that 81,000 children are eligible.

The low enrollment numbers have cost the state. Virginia forfeited $55 million in federal funding the first two years of the program, according to a Joint Legislative Audit and Review Commission Report. Virginia ranks 40th of the 50 states in the percentage of federal dollars spent for the program.

In April 2002, The Virginian-Pilot reported that "only 42 percent of eligible children in Chesapeake were enrolled, and in Portsmouth 33 percent." In Gov. Mark Warner's "State of the Commonwealth" address on Jan. 14, 2002, he said: "… Nowhere do we need such fresh thinking more than in the way we care for children. We will expand the enrollment of Virginia's children in the state children's health insurance program. Other states like North Carolina and Indiana have enrolled virtually every eligible child. We should do no less here in Virginia. The Joint Legislative Audit and Review Commission found we have forfeited at least $56 million in federal funds because of our failure to sign up these kids. This is morally wrong, and it is fiscally wrong."

State-Local Hospitalization

Medical assistance is provided to needy individuals and families who are not eligible for medical assistance through Medicaid and who have incomes below 100 percent of the federal poverty level, and resources of $1,000 or less. This program provides outpatient and inpatient hospital care, hospital emergency room services, and services received at public-health departments, but it does not pay for prescription medication or private-doctor visits. The Eastern Region utilized more than $4.2 million from state and locality funding to support an overall caseload of 2,089 people.

BUDGET NUMBERS: PAST AND PRESENT

Table 4 reports Eastern Region social service expenditures reimbursed through state and federal sources. **In FY 2001, $568 million of reimbursed social service expenditures were made in the Eastern Region. This is an impressive number by any definition.** However, of special note is the last column, which represents the category of "Non-Reimbursed" locality expenses. The term is used by the Virginia Department of Social Services to describe expenditures not eligible to receive matching state general funds. In essence, there are insufficient state general funds to meet certain types of expenses that localities face. From 1994 to 2001, federal expenditures in this area increased 85 percent, and over the same period the non-reimbursed portion that localities bore increased 317 percent, or an astonishing 45 percent per year. During this same time period, the dollars spent by the state increased 174 percent.

Table 4

SOCIAL SERVICE EXPENDITURES IN THE EASTERN REGION

Fiscal Year	Federal Funds Expended	% of Reimb. Total	State Funds Expended	% of Reimb. Total	Local Funds Expended	% of Reimb. Total	Fed, State, Local Total	Non-Reimbursed
1994	$177 m.	52%	$87 m.	25%	$78 m.	23%	$342 m.	$15.2 m.
1995	$185 m.	52%	$90 m.	25%	$78 m.	22%	$354 m.	$14.7 m.
1996	$200 m.	52%	$100 m.	26%	$86 m.	22%	$387 m.	$12.6 m.
1997	$236 m.	55%	$106 m.	25%	$82 m.	19%	$425 m.	$24.7 m.
1998	$260 m.	55%	$125 m.	27%	$84 m.	18%	$471 m.	$33.8 m.
1999	$296 m.	57%	$140 m.	27%	$81 m.	16%	$519 m.	$32.6 m.
2000	$321 m.	57%	$149 m.	27%	$90 m.	16%	$560 m.	$42.4,m.
2001	$327 m.	58%	$152 m.	27%	$88 m.	16%	$568 m.	$48.1 m.

Source: Eastern Region Local Departments of Social Services 2002 Information Resource Book

There is general agreement at both the regional and local level that these financial tensions are due to the lack of increases in base-budget allocation(s) for administrative costs of social services at the state level. The last increase was seen in the mid-1980s.

The General Assembly approved a social services budget for all statewide programs (financial assistance, services, employment and emergency) totaling $1.43 billion for 2003 and $1.49 billion for 2004. Table 5 reports these data. Although these amounts reflect an increase in total overall social services spending for programs, the budget allocations for administrative costs remain basically at the same level. In 1998, Virginia ranked 41st in social services per capita spending at $909. States spending the highest amount per capita were New York at $2,105 and Alaska at $1,594. North Carolina ranked 11th at $1,355 per person.

Table 5
APPROVED SOCIAL SERVICE BUDGETS IN VIRGINIA

Funding Source	**FY 2001**	**FY 2002**	**FY 2003**
General	$272.4 m.	$265.9 m.	$285.8 m.
Special	$402.3 m.	$445.4 m.	$531.6 m.
Dedicated Special Revenue	$ 2.3 m.	$ 2.3 m.	$ 2.3 m.
Federal Trust	$553.6 m.	$528.9 m.	$607.5 m.
Totals	$1.221 b.	$1.242 b.	$1.427 b.
Positions Authorized			
General Fund Positions	260	260	264
Nongeneral Fund Positions	1,325	1,325	1,350
Totals	1,585	1,585	1,614

3. How well do the services work and are there result-oriented measures?

The Division of Benefit Programs at the Virginia Department of Social Services is the state organizational unit responsible for supervising local administration and management of some 16 public-assistance programs, including the Temporary Assistance for Needy Families (TANF), Medicaid, Energy Assistance and Food Stamps programs. It has developed a number of process measures to assess local agency performance in the administration of these programs. Virginia is one of only 12 states nationally using a state-supervised, locally administered social services system. This system creates a unique relationship between the state and local governments. All other states and territories use a state-supervised, state-administered system.

In Virginia, consultants take statistical samples of case records to audit compliance. Cases involving public assistance (for example, Medicaid and food stamps) are monitored for accuracy and timeliness in addition to policy compliance. Corrective-action measures are the outcome if errors and noncompliance are found. The main process measure used in the Food Stamps and Medicaid programs is the Quality Control (QC) review process. Through this process, statistical samples of case records are audited by state QC staff, who review the cases for compliance with federal/state policy and regulations, and to ensure that the household received only the benefits to which it was entitled during the review month. That said, such audits do not really tell us whether the program in question "really works." Instead, the audits provide information about the administrative efficiency of the program.

In the Food Stamps Program, states whose payment error rate exceeds the national average are penalized, through fiscal sanction, by the federal government. On the other hand, states that are able to keep their payment error rate below 6 percent are eligible for enhanced funding from the U.S. Department of Agriculture. Table 6 reflects QC results for the Commonwealth. The Eastern Region scores the lowest in error rates at 6.44 percent. This is an excellent achievement, considering the current staffing deficits in the region's social service departments.

With the passage of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the federal government shifted its philosophy and converted Aid to Families with Dependent Children (AFDC) from an entitlement program to a federal block grant program known as the Temporary Assistance for Needy Families (TANF) program. With this change in funding philosophy also came a change in how the program operated. Under TANF, the federal government sets broad

Table 6
STATE FOOD STAMP QUALITY CONTROL RANKING FOR FEDERAL FY 2001

Region	Cases Reviewed	Error Rate	Errors	Agency Errors	Client Errors
Central	202	8.47%	35	15	20
Eastern	285	6.44%	33	15	18
Northern	202	11.07%	27	18	9
Piedmont	202	6.62%	22	11	11
Western	186	6.46%	15	11	4
STATE	1,077	7.71%	132	70	62

Source: Eastern Region Local Departments of Social Services 2002 Information Resource Book

parameters for how the program is to be operated, giving states flexibility to determine program rules. The TANF program is currently being reauthorized at the federal level, and it is anticipated that the level of state flexibility will be further expanded.

There are currently no quality measures for the Energy Assistance Program; however, the 2002 General Assembly required that the Virginia Department of Social Services must begin to report on unmet energy needs in the Commonwealth.

Identifying The Clients

4. Who are the clients?

Benefit programs are designed for individuals or families in need of temporary financial assistance. All recipients, therefore, must meet certain income-eligibility requirements. The following descriptions help explain eligibility standards used by social service workers:

Poverty thresholds are the original federal poverty measure. The Census Bureau updates them each year. Thresholds are used mainly for statistical purposes and generally are not used to determine actual recipients.

Poverty guidelines are a simplification of the poverty thresholds for administrative use in order to determine financial eligibility for certain federal programs. They are issued each year in the Federal Register by the Department of Health and Human Services. Both the poverty thresholds and the poverty guidelines are updated annually for price changes using the Consumer Price Index for All Urban Consumers (CPI-U). For example, the poverty level for a family of four in Hampton Roads is $18,100 in 2002.

National 2000 census data (U.S. Census Bureau) indicate that the national poverty rate in 2000 decreased to 11.3 percent, down half a percentage point from 1999. This rate was essentially the same as the record low of 11.1 percent set in 1973. In Hampton Roads, the estimated poverty rate is 15.8 percent, while the Virginia rate is 11.6 percent. Not surprisingly, poverty in Hampton Roads is particularly severe among children. An estimated 22.67 percent of children live in households below the poverty level.

5. What are the major policy issues and challenges?

The directors of social services departments within the cities and counties of the Eastern Region believe the major challenges they face are: (1) inadequate computer information systems; and (2) persistently inadequate funding of administrative costs associated with federal- or state-mandated programs. As is the case in many other arenas, legislators love to impose mandates they do not have to fund, or which they say should be funded by "increased efficiency." The result has been administrative inefficiency, personnel shortages and reduced service levels.

C. Earl Blythe, director of York-Poquoson Social Services, states, "In the past 15 years, no governor has included base budget increases for local social services administrative costs. As a result, the inflationary costs of doing business (administering federal-/state-mandated programs and services) have fallen on the localities. This public-policy decision at the state level must change in order for localities to continue to provide acceptable levels of service and protect children and adults at risk."

The Virginia League of Social Services Executives completed a partial study of this issue in 1998. At its urging, a "Workloads Measures Study" was authorized by the General Assembly and prepared by Hornby Zeller Associates Inc. It was published in November 2000. The purpose of the study was to develop valid workload measures for local social service programs and to define a means to use those measures to allocate funds. The overall review of work and time needed resulted in two types of work measurements:

Minimal Standards: Units of time needed by workers to perform their jobs when they have met basic policy and practice standards. This reflects analysis of the time it takes to meet the minimum requirements of policy and guarantees a minimal level of quality in the work that is done. This standard represents the time that is required to perform casework adequately.

Optimal Standards: Units of time needed by workers to accomplish beyond what would be minimally acceptable.

Thirty-five local departments volunteered to participate in the study, representing 36 percent of the filled direct-worker positions across the state. The "Workloads Measures Study" examined: (a) the amount of time each type of case requires; (b) the amount of time workers have available to handle cases; and (c) the number of cases of each type which need to be handled.

The following conclusions were found:

- *"The state has not authorized sufficient positions for reimbursement to permit local departments to meet their minimum mandates, much less to achieve an optimal level of performance. For benefits programs a 23 percent increase in line staff is needed, while for in-service programs the need is a 45 percent increase."*

- *"Even when local positions have been authorized by the state for reimbursement, this is not always very meaningful. The ceiling on available funds means localities do not receive reimbursement for some of the positions which are authorized for reimbursement."*

The findings indicate a serious shortage of workers to administer benefit programs using "minimal standards" criteria. **Table 7 demonstrates the current shortage of workers by applying "minimal standards" criteria to workload measures. Virginia is short by 939.4 workers, while the Eastern Region is missing 356.3 workers. The Eastern Region shortage is 38 percent of the total, or more than its fair share considering that the state is made up of five regions and the majority of these programs are federal-/state-mandated. The cost of bringing the Eastern Region up to the minimal workload standards is almost $40 million annually. However, the federal government would pay more than half of this cost.**

If the "optimal standards" criterion is applied, then the Eastern Region is short 553.9 workers and the Commonwealth 1,573.9. The projected Eastern Region shortage is 35 percent of the total number of workers in Virginia. It would cost almost $65 million annually to meet this standard, with the federal government meeting more than half of this cost.

Table 7
DIRECT LINE STAFF NECESSARY FOR EASTERN DISTRICT PROGRAMS TO MEET MINIMAL WORKLOAD STANDARDS

LOCALITY	A TOTAL LINE STAFF NEEDED	B LINE STAFF AUTHORIZED for 80/20 FUNDING	C NET NEED for 80/20 LINE STAFF AUTHORIZED	D LINE STAFF AUTHORIZED for 80/20 FUNDING & FILLED	E NET NEED for 80/20 LINE STAFF AUTHORIZED & FILLED
VIRGINIA	3,066	234.1	732	2,126.7	939.4
Eastern Region	919.5	611.7	308.3	563	356.3
Accomack	25.6	22	3.6	20	5.6
Isle of Wight	13.9	11	2.9	8	5.9
James City	11.5	10	1.5	10	1.5
Northampton	13.5	15	-1.5	13	0.5
Southampton	13.2	11	2.2	11	2.2
York/Poquoson	9.9	8.3	1.7	8.3	1.7
Chesapeake	86.8	78	8.8	69	17.8
Franklin City	9.4	11	-1.6	11	-1.6
Hampton	87.8	2	85.8	2	85.8
Newport News	133.4	105.4	28.4	102	31.4
Norfolk	234	174	60	155	79
Portsmouth	120	89	31	82	38
Suffolk	47.6	13	34.6	10	37.6
Virginia Beach	109.8	59	50.8	59	50.8
Williamsburg	3.1	3	0.1	3	0.1

Source: Workload Measures Study, Hornby Zeller and Associates, 2000

(A) TOTAL LINE STAFF NEEDED: Staff required to meet mission

(B) LINE STAFF AUTHORIZED for 80/20 Funding: positions the state authorized localities at 80% state/20% local match

(C) NET NEED FOR 80/20 LINE STAFF AUTHORIZED: Positions remaining to be filled that have been authorized at 80/20 funding

(D) LINE STAFF AUTHORIZED for 80/20 FUNDING & FILLED: Number of staff positions actually funded and filled

(E) NET NEED for 80/20 LINE STAFF AUTHORIZED & FILLED: A - D = E

Hornby Zeller Associates found Virginia to have "one of the more complex social service systems in the country." In Virginia, with 122 local social service departments (some county- and some city-based), financial allocations to local departments for administrative costs are made on a historical basis. This occurs despite, more than 20 years ago, the development nationally of a more sophisticated caseload standards system of workload measurement.

The directors of the Eastern Region summarized these and other challenges in their "Strategic Plan," found in the "Local Departments of Social Services 2002 Information Resource Book." The plan calls for the following:

- Develop special services and programs to support the working poor.
- Examine new and innovative approaches to foster care.
- Find better approaches for helping our troubled families and aging population to remain safe and have the ability to meet their basic life needs.

- Improve aging computer equipment and inadequate software programs that translate to inefficiency and inadequate management information.

- Increase the amount of funds appropriated to meet the needs of our citizens and to provide adequate benefits and services. The ability to do "more with less" has reached its zenith concerning administrative and personnel costs.

- Focus on staff development training and retention – this is a critical priority.

Many believe some of these approaches to "the welfare problem" ultimately are ill-advised and do not represent long-term solutions. These individuals would prefer approaches similar to those associated with the "welfare reform" changes of 1996. On the other hand, many others believe that increased expenditures on public social services represent sound, humane investments in society's human capital and that "welfare reform" of the 1996 vintage will not succeed unless the American economy stands at or near full employment.

Regardless of one's views on those matters, as we have seen, many of the public social services offered in Hampton Roads are the products of external forces – for example, the system of medical care Americans have chosen. We do not choose; we react. Thus, national imperatives often transcend local wishes. Nonetheless, whether or not one believes these suggestions are valid, given the Commonwealth's financial constraints and national priorities, it is unlikely that many, if any, of these goals will be met.

Final Comments

Despite the significant sums of money involved, and despite the tremendous impact that public social services have upon Hampton Roads, relatively few people are knowledgeable about these services. This is particularly the case among those who occupy what is usually termed "the power structure." One must hope this chapter is read by a wide spectrum of individuals. The stakes – human and financial – are simply too large to ignore.

the taxes we pay

The Taxes We Pay In Hampton Roads: Where We Are And Recommendations For Change

Taxes and governmental expenditures always are hot topics and nowhere is this truer than in the cities and counties of Hampton Roads. One of the most popular terms du jour is "fiscal imbalance" – the belief that local governmental units are obligated to spend, or need to spend, more dollars than they are able to collect in tax revenue. Consider the following newspaper coverage during the first six months of 2002:

- An article in The Virginian-Pilot argues that the City of Virginia Beach is able to raise revenue to pay for increased spending not by raising property tax rates, but rather by an increase in property tax assessments. An article in the Daily Press suggests Poquoson will follow the same strategy.
- An article in the Richmond Times-Dispatch suggests that Virginians will be paying more for fewer governmental services because of the drop in state revenues.
- Editorials in The Virginian-Pilot support an increase in the user fee for dumping trash in order to reduce the incentive for firms to import trash into Virginia and suggest that the state should help reduce the over-reliance on real estate taxes by local governments.
- An editorial in the Daily Press challenges legislators to take tax reform seriously and to recognize the need for tax revenue increases.
- An article in The Virginian-Pilot suggests an upcoming vote on a sales tax increase is not only a referendum on the building of roads, but also will be a barometer for all public spending.
- An article in The Virginian-Pilot emphasizes that the reduction in the rate of growth in consumer spending, especially in Northern Virginia, reduced the rate of growth in the tax base for sales tax revenue. The article goes on to note that the Hampton Roads area was not impacted as much as was Northern Virginia.
- And, of course, numerous atricles have discussed the forthcoming sales tax referenda.

By definition, fiscal imbalance (a situation where expenditures exceed tax revenues) can be cured either by increasing taxes or lowering expenditures. But that does not tell us much, especially where taxes are concerned. First, we need to know where we collect our local tax revenues today and what impact they have on our daily lives. Then, we can utilize that information to evaluate our situation and make some realistic recommendations about possible changes. That is the focus of this chapter.

The Tax Structure In Hampton Roads Today

What are the most important taxes collected by cities and counties in Hampton Roads? Local tax revenue in Hampton Roads is composed of three major parts: (1) property taxes; (2) service charges; and (3) sales and excise taxes. Property tax revenue is further subdivided into taxes on real property, property taxes paid by corporations, personal property tax revenue and property taxes on machinery and tools. Service charges refer to fees levied by government for activities such as waste removal. Sales tax revenue is collected from the 1 percent local-option tax that all Virginia localities impose. Excise taxes include fees paid by consumers for utilities and business licensee taxes, and various smaller taxes such as those charged for motor vehicle licenses, tobacco, and hotel and food. Table 1 presents the proportional sources of tax revenue for cities and counties in Hampton Roads for the 2000-01 fiscal year.

Table 1

WHERE DO CITIES AND COUNTIES IN HAMPTON ROADS COLLECT THEIR TAX REVENUES?

City/County	Real Property	Pub Serv Corp	Per Prop Gen	Mach & Tools	Service Charges	Sales Tax 1%	Consumer Utility	Business Licenses	Fees on Spec Serv	Other Taxes
Chesapeake	45%	3%	10%	1%	6%	9%	5%	6%	10%	6%
Franklin	32%	1%	8%	0%	10%	13%	8%	5%	13%	10%
Hampton	34%	2%	9%	1%	**14%**	6%	5%	5%	11%	**14%**
Newport News	35%	2%	8%	5%	12%	7%	5%	4%	10%	12%
Norfolk	33%	3%	9%	2%	8%	8%	**12%**	6%	13%	8%
Poquoson	**56%**	1%	10%	0%	9%	3%	3%	2%	6%	9%
Portsmouth	34%	3%	8%	3%	12%	4%	10%	4%	10%	12%
Suffolk	43%	2%	11%	2%	8%	6%	7%	4%	8%	8%
Virginia Beach	47%	2%	6%	0%	8%	7%	6%	5%	12%	8%
Williamsburg	19%	1%	2%	5%	5%	**15%**	2%	**7%**	**40%**	5%
Gloucester County	45%	2%	12%	0%	10%	6%	3%	3%	7%	10%
Isle of Wight Co	33%	2%	14%	**18%**	11%	4%	2%	1%	3%	11%
James City Co	48%	2%	12%	6%	6%	8%	0%	4%	8%	6%
Southhampton Co	38%	2%	**18%**	8%	10%	3%	6%	1%	4%	10%
Surry Co	19%	**65%**	4%	0%	5%	1%	0%	0%	1%	5%
York Co	42%	5%	10%	2%	10%	6%	0%	4%	10%	10%

Source: "Comparative Report of Local Government Revenues and Expenditures for the Fiscal Year Ending 2001," Auditor of Public Accounts, Richmond, Va., March 2002

The city that relies most heavily on the real property tax is Poquoson, followed closely by James City County and Virginia Beach. Of note is the relatively small share of real property tax revenue collected by Norfolk and Portsmouth. There are two reasons for this. First, property values are, in general, lower in these two cities. Second, both cities have a large percentage of tax-exempt real estate. In 1998, approximately 55 percent of Portsmouth land was tax-exempt, while the comparable figure in Norfolk was 48 percent. According to a Hampton Roads Planning District estimate in 2000, about $20 billion worth of property is not taxed in the Hampton Roads MSA.

Cities such as Norfolk and Portsmouth are not excused from providing services to tax-exempt properties even though those properties do not generate real property taxes. Consequently, these cities must look elsewhere for revenue. Both cities receive a relatively large share of their tax revenue from consumer utility taxes.

Other unusual tax collection relationships also exist in the region. **Isle of Wight County receives a large percentage of its tax revenue from Smithfield Foods, which is collected in the form of a machinery and tools tax. Surry County generates the greatest share of its revenue from public service corporations and this reflects the Surry Nuclear Power Plant.** Williamsburg receives a small share of its revenue from property taxes, but very large shares from both sales taxes (15 percent) and taxes on specific fees. Both are generated primarily from taxes upon hotels and restaurants, and fall substantially on tourists. Elected officials always are anxious to find ways to tax individuals from other cities or jurisdictions, and the farther away, the better. "Tourist taxes," therefore, have always been popular in Hampton Roads.

Virginia Beach and Norfolk also receive relatively large shares of their revenue from taxes on specific services. Like Williamsburg, Virginia Beach receives a sizable share from hotel and restaurant taxes, while Norfolk (which boasts a large downtown financial, entertainment and office district) receives a large share of its tax revenues from restaurants and admission fees.

Of course, one of the things elected officials want to know is how much tax revenue they will collect if their local economies expand. In a report prepared for Virginia Forward, the Barents consulting group offered a methodology to provide that information. Table 2 presents Barents' estimates of how responsive tax revenue is to increases in income for a selection of local taxes.

Table 2

THE RESPONSIVENESS OF CITY AND COUNTY TAXES TO INCREASES IN INCOME

Local or County Tax	Responsiveness of Tax Collections to a 1 Percent Increase in Income
Real Property: 1977-1989	1.05%
Real Property: 1990-1996	0.40%
Personal Property: 1977-1996	**1.40%**
Sales: 1977-1996	0.96%
Other Local: 1977-1996	0.90%
All Local Taxes: 1977-1996	1.15%
All Local Taxes: 1990-1996	0.84%

Source: Barents, "Virginia's State and Local Tax Structure: Recent Performance and Restructuring Options," Washington, D.C., December 1999, 34.

The interpretation of the responsiveness measures is very straightforward. If citizens' incomes increase by 1 percent, then how much will tax revenue increase? Between 1977 and 1989, real property tax revenue increased by 1.05 percent for every 1 percent increase in income; however, between 1990 and 1996, this fell to only 40 percent. **This means that in the 1970s and 1980s, real property tax revenue was growing faster than the economy. Since then, the relationship has changed and property tax revenues have lagged the growth of the economy. This is highly problematic for cities that are highly dependent upon real property tax revenues because the demand for some governmental services may exceed the growth of the economy.** In particular, this can be true in the area of public education, where rising incomes may be associated with rapidly growing school populations and collateral needs to hire teachers and build schools. Of course, citizen demands for public safety, government-sponsored cultural and recreational activities, and infrastructure items such as streets and sewers plausibly can increase just as rapidly. The point is that in recent years the real property tax has shown little promise of being able to keep up with these demands.

In fact, the overall tax picture for cities and counties is increasingly grim. As Table 2 demonstrates, since 1990, local tax revenues have increased only .84 percent for every 1 percent increase in local incomes. Local tax revenues, then, are not keeping up with the economy. This is a message delivered by many mayors and city councils in Hampton Roads. Their *cri de coeur* to state legislators is twofold. Either, they say, allow us to collect a new range of taxes, or redistribute more fully the lucrative taxes that the government of the Commonwealth collects statewide (for example, the state income tax). **Localities in Hampton Roads (and throughout Virginia) feel they are caught in a highly confining box. In general, their tax revenues have not kept up with economic growth. If the rate of income growth is a reasonable measure of the need for additional governmental services, then localities within Hampton Roads fell behind in the 1990s.** Compared to cities and counties, state government was well-heeled financially in the 1990s, and its ability to expand services actually increased faster than state incomes.

Table 2 also reveals that sales tax revenue has grown a bit more slowly than the economy as a whole. The tax revenue source that grew the fastest as the economy grew was the personal property tax.

Virginia has one of the most cyclical income tax bases in the country because a 1 percent decline in state incomes will lead to a 1.7 percent decline in the income tax collections. This finding, in Randall Holcombe and Russell Sobel's 1997 book, "Growth and Variability in State Tax Revenue: An Anatomy of State Fiscal Crises," suggests that the fiscal pressure imposed on the state government from an economic downturn is greater in Virginia than in most other states. Only California, Oregon, Hawaii and Wisconsin have more unstable income tax bases than Virginia. The truth is that overall income tax collections in Virginia are highly dependent upon the prosperity of Northern Virginia. When that region was booming (as in the 1990s), state income tax and capital gains tax collections skyrocketed. However, the economic slowdown that began in 2000, plus the problems associated with the information technology industry in general and dot.com firms in particular, caused state tax revenues to fall far short of estimates.

It is interesting to note that researchers estimate that the *sales* tax base in Virginia has about average stability. That is, sales tax revenues are a more stable source of funds for government than is the income tax. **Thus, while nearly all elected officials in cities and counties argue in favor of an increased distribution of state income tax revenues back to these localities, if implemented, this would increase the variability of local tax revenues.** Cities and counties likely would have more tax money to spend over the years, but that revenue source would become less reliable, and perhaps less predictable, in amount.

Evaluating The Taxes We Pay In Hampton Roads

REAL PROPERTY TAXES

Tax revenue on real property is derived from taxes on land and from improvements to land. Taxes imposed on land are relatively efficient because there is little one can do to avoid paying the taxes. Land can't be moved, though it can be rendered inactive. But, who ultimately bears the burden of property taxes – landlords or renters? The answer depends upon a variety of factors, although available evidence suggests that landlords successfully pass on to renters most property taxes.

The Barents study cited previously found that since 1990 property tax revenue has not risen proportionately with personal income. If we assume that increased income is highly correlated with increased demands for public services, then the share of tax revenue from real property for the financing of government spending has fallen even as the economy has grown. Against this, Virginia currently attempts to assess real estate at 100 percent of its market value. Thus, rapidly rising real estate prices may stimulate property tax revenues.

Because property tax revenue is the greatest local revenue source for most municipalities, the pattern of property tax revenue over time is quite important. Graph 1 shows the growth in property tax revenue realized by the larger cities in Hampton Roads since 1981. The data are adjusted for inflation and thus represent "real" magnitudes, such that tax revenue in the year 2000 has the same purchasing power as tax revenue in 1981.

The data indicate steady growth for Virginia Beach and an upsurge in the growth rate for Chesapeake in the early 1990s. The cities of Hampton and Newport News have shown modest increases. Property tax incomes have been relatively constant for the City of Portsmouth. During the early 1990s, Norfolk's real property tax revenue actually began to decline, underlining that city's oft-expressed revenue plight.

TAXES ON PUBLIC SERVICE CORPORATIONS

Taxes on public service corporations fall primarily on public utilities and large corporations. Table 1 demonstrates that, except for Surry County, the cities and counties of Hampton Roads earn from 1 percent to 5 percent of their tax revenue from such taxes. In the case of Surry, the taxes it imposes on the nuclear power plant generate an astonishing 65 percent of its tax revenue.

Further, the data suggest that the machinery and tools tax is an important income source for Isle of Wight and Southampton counties. Barents computed the effective tax rate per $100 of assessed property for the category Real Property and Machinery and Tools, and found that tax rates in Hampton Roads as a whole are less than the national average, though Norfolk and Virginia Beach are somewhat above the average. This makes these two cities less attractive as business locations, according to Barents.

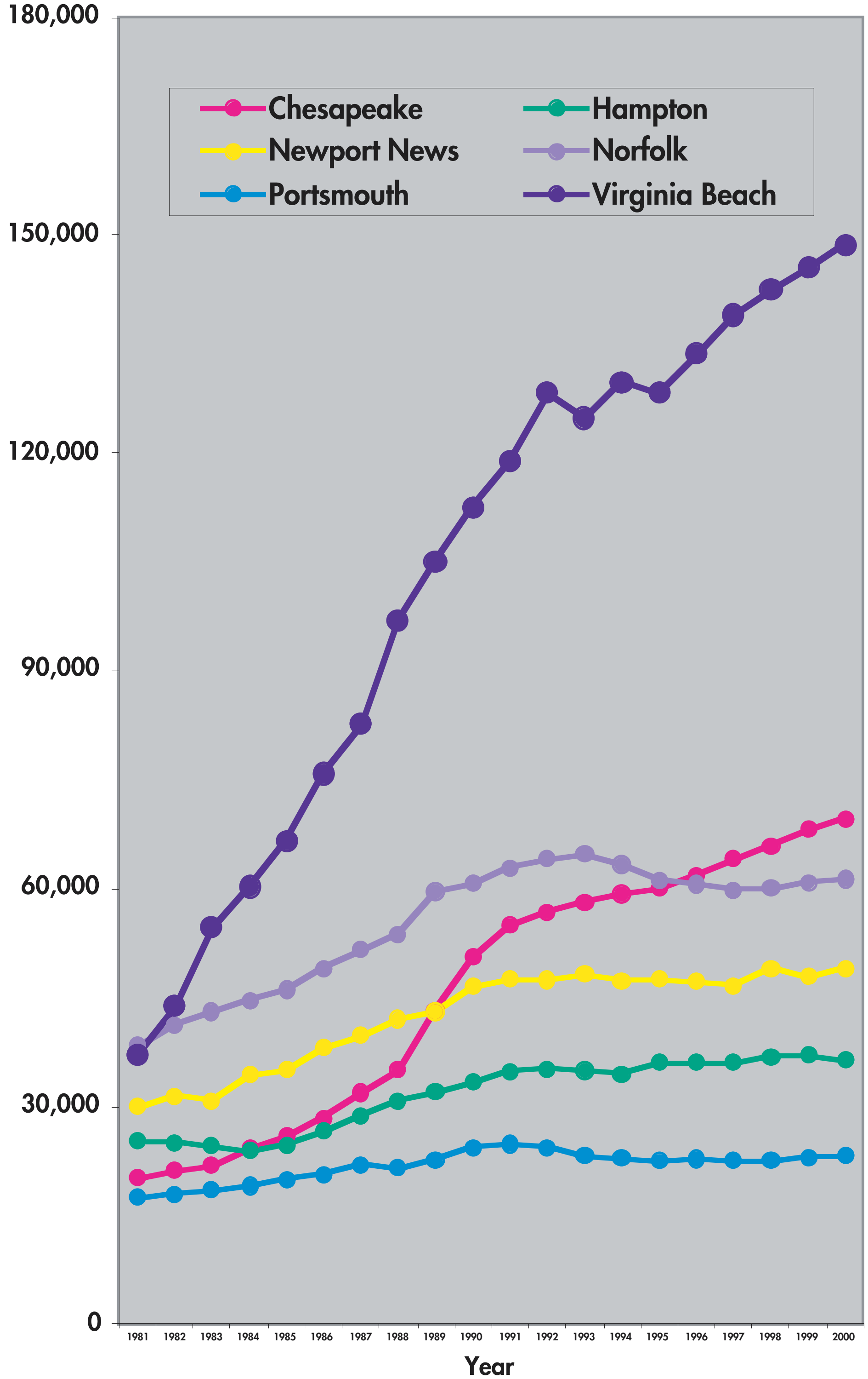
The taxation of corporate property always has been a factor in determining where firms locate. This has caused many local governments to offer reduced taxes to firms that open new locations in their cities or counties. There are two major problems with this. First, a competitive "prisoner's dilemma" situation may arise in which competing localities offer tax breaks that cancel each other out, but impoverish each city or county because of the resulting reduced tax revenue. If all localities ceased to offer such inducements, they probably would attract the same firms, and save a great deal of tax money at the same time.

A second problem is that reductions in taxes upon corporations may of necessity lead to increased property taxes for individuals. Unless a city or county is experiencing significant growth in its tax receipts, any tax concessions that it offers one firm or individual must be offset by tax increases it imposes on others.

Graph 1

ANNUAL REVENUE FROM THE REAL PROPERTY TAX IN HAMPTON ROADS CITIES AND COUNTIES

(Real Property Tax Revenue 1982-1984 = 100)



Source: "Hampton Roads Data Book," June 2001

PERSONAL PROPERTY TAXES

The infamous "car tax" dominates this category, primarily because automobiles are substantial assets and easily tracked. The recent reductions in the car tax affect city and county tax revenues, as these revenues previously were captured by localities. Now, the Commonwealth has to make up the difference (which it has done imperfectly).

Other personal property includes the assets of businesses that are not listed as public service corporations and other personal property such as motorcycles and mobile homes. **Car tax rates in Hampton Roads average 4.05 percent of the fair market value of automobiles, which is higher than the Virginia average of 3.41 percent.**

Table 3

EXCISE TAXES IN HAMPTON ROADS CITIES AND COUNTIES

City/County	Meal Tax Rate	Cigarette Tax, $ Per Pack	Lodging Tax Rate
Chesapeake	5.5%	$.3125	6.0%
Hampton	5.5%	$.44	5.5%
Newport News	5.5%	$.4375	5.5%
Norfolk	5.5%	$.375	**8.0%**
Portsmouth	**6.5%**	**$.44**	6.5%
Suffolk	5.0%	$.30	5.0%
Virginia Beach	4.5%	$.27	5.5%
Williamsburg	5.0%	Doesn't Have	5.0%
James City Co	4.0%	Doesn't Have	4.0%

Source: Weldon Cooper Center for Public Service, University of Virginia, "2001 Tax Rates: Virginia's Cities, Counties, and Selected Towns," Charlottesville, Va., 2001

SALES TAXES

A sales tax is paid as a fixed proportion of the price of a taxable good or service. In Virginia, cities and counties may assess a 1 percent local sales tax, and nearly all do. The tax in Virginia, as in most other states, was offered to localities to reduce their dependence on property tax revenue, as well as make the sales tax more palatable.

Easily, the most critical sales tax issue revolves around the definition of the tax base. As discussed earlier, Virginia has one of the most narrow sales tax bases in the country. According to The Virginian-Pilot, almost 400 separate economic activities and organizations are excluded from sales taxation. The Virginia Department of Taxation estimated that in 1998 the combined exemptions to the sales and use tax created an annual loss of approximately $3.6 billion in tax revenue. This would have yielded approximately $800 million in increased income to local governments from the 1 percent option. Barents cites a study by the Federation of Tax Administrators that found that Virginia taxes only 16 of the 164 items commonly included in the base of a sales tax. The Commonwealth could solve most of its current tax revenue problems simply by widening the base of its sales tax. Rates could stay the same, or even be reduced.

UTILITY TAXES

Taxes on utilities constitute relatively large sources of revenue in Norfolk, Portsmouth and Franklin. Such taxes tend to be popular because the utilities are an attractive political target, and when taxed, are not likely to stop serving the cities that tax them. This reflects the fact that virtually every dollar of these taxes is passed on to consumers. Thus, most cities and counties tax the purchase of items such as natural gas, coal, mobile telephones and water. Nevertheless, the deregulation of electricity (and the movement toward freer markets in that area) may provide some consumers with the means to find substitutes for the electricity provided by their hitherto monopolistic electricity supplier. If so, then cities and counties will have to become much more careful with such taxes. An increase in electricity taxes actually could reduce tax revenue if consumers actively switch their patronage to alternate suppliers.

EXCISE TAXES (SPECIAL SALES TAXES)

Excise taxes are sales taxes on specific products. The firms that provide the taxed products pay these taxes, and their ability to shift the burden of the tax to the consumers is primarily a function of the substitutes available for consumers. Table 3 presents 2001 data for selected Hampton Roads municipalities regarding three such taxes: meals, cigarettes and lodging.

These excise taxes do not vary significantly across these municipalities. However, the relative differences are important because even minor differences can cause consumers to alter their consumption patterns – for example, by purchasing their gasoline in one city rather than another, or scheduling a meeting in one county rather than another. The data suggest that, holding everything else constant, it is cheaper to stay in Virginia Beach than in Norfolk, that hamburgers will be more expensive in Portsmouth than James City County, and that cigarettes will be cheaper in Chesapeake than Newport News.

Making Some Comparisons

In this section, we compare the tax systems of different governmental units. We begin by comparing the cities and counties of Hampton Roads with counterparts in other regions. Then, we will examine the tax circumstances of the Commonwealth of Virginia vis-à-vis other states, because **the Dillon Rule makes cities and counties absolutely dependent upon state rules and regulations.** Cities and counties either can pay for services themselves, or they can rely upon state government to provide the funding for those services. Depending upon the state in question, public education and local roads receive either substantial or very little state financial assistance. It is important to keep this in mind in an examination of city and county tax levels. **Low local taxes may mean high state taxes, and vice versa. To paraphrase the muffler commercial, "You can pay me here, or you can pay me there." That is, if we don't pay for education locally, likely we will pay for it at the state level. Thus, only when we examine the sum of local taxes and state taxes can we make valid comparisons between and among cities, counties and states.**

Table 4 presents data on per capita local tax payments made in a select group of cities. These data are quite striking. **It is readily evident that the local tax burdens of Virginians tend to be higher – often much higher – than those of citizens residing in other states.** Clearly, there are other U.S. cities that have much higher tax burdens than those in Virginia. Among them are New York, Boston, Washington, D.C., and San Francisco. Nevertheless, the average annual local tax paid by a citizen, say, in Richmond, is well more than double that paid by residents of Greensboro, Charlotte, Jacksonville, Louisville, Atlanta, Pittsburgh and Knoxville. **Richmond's local tax burden is 36 percent more than Baltimore's. And, while Richmond is the outlier within Hampton Roads and vicinity, every city in Hampton Roads imposes a higher tax burden on its citizens than any other city in the sample, with Baltimore being the single exception.**

What difference does this make? First, over the long pull, both individuals and businesses pay attention to relative tax levels when they make locational decisions. We know this well in Hampton Roads because of the large number of military personnel and military retirees who reside here. These individuals must weigh residence in Hampton Roads and Virginia against alternatives such as low-tax Jacksonville where, in addition, there is no state income tax.

Second, **ultimately there is a relationship (though not perfect) between tax levels and economic growth.** The last column of Table 4 records the annual percentage of growth in jobs for the various cities. Charlotte leads the pack with a 4.7 percent growth rate, while in Virginia only Virginia Beach is as high as 1 percent. Clearly, there is a negative relationship between tax burdens and job growth. Graph 2 plots the data for each city with respect to local tax burden and job growth. While hardly perfect, there is little doubt that moderate to low local tax burdens are associated with increased economic growth. Of course, economic growth is a function of many different influences, some of which are controllable (taxes, transportation, education) and some of which are not (climate). Tax burdens, however, do make a difference and Graph 2 demonstrates this. The lesson is that it is seldom a good idea for a city or county to be an outlier on any tax, or on its tax burden as a whole. Individuals and firms react adversely to taxes that are much higher than the ordinary. **High local taxes may mean lower state taxes, and vice versa. Nonetheless, "Do thou likewise" is a good rule for local elected officials to follow with respect to tax rates. Cities and counties that violate this rule and call adverse attention to themselves usually pay for it as the years pass. Balance in the local-state tax relationship is ordinarily an excellent path to follow.** If either party (local government or the state) has exceptionally high levels of taxation, this is likely to alter what is produced and where it is produced.

Table 4

COMPARING TAXES PAID PER CAPITA IN HAMPTON ROADS CITIES WITH OTHER CITIES IN THE UNITED STATES

City or Metropolitan Statistical Area (MSA)	Annual Local Gov't.Taxes Paid Per Capita	Tax Rank Within the United States*	Per Capita Income	Local Taxes as a Percent of Per Capita Income	Annual Percent Growth in Jobs
Norfolk, VA	$1,042	22	$21,659	4.81%	0.4%
Newport News, VA	978	25	21,610	4.53%	0.2%
Virginia Beach, VA	1,015	23	27,271	3.72%	1.0%
Portsmouth, VA	857	31	20,144	4.25%	0.6%
Hampton, VA	902	28	21,210	4.25%	0.3%
Hampton Roads	1,007	N/A	24184	4.14%	N/A
Chesapeake, VA	1,130	18	23,458	4.82%	0.4%
Richmond, VA, MSA	**1,447**	**7**	28,714	**5.04%**	2.0%
Greensboro, NC	448	112	26,130	1.71%	2.1%
Charlotte, NC, MSA	418	123	29,291	1.43%	**4.7%**
Jacksonville, FL, MSA	551	76	26,373	2.09%	3.0%
Louisville, KY, MSA	659	52	26,628	2.47%	1.3%
Baltimore, MD	1,062	21	29,953	3.55%	1.5%
Atlanta, GA	601	64	**31,354**	1.92%	2.7%
Pittsburgh, PA	717	36	29,069	2.47%	-0.3%
Knoxville, TN	583	68	25,340	2.30%	-0.4%

*Rank is computed for approximately 190 cities with populations greater than 100,000 in 2000.

Sources: "City/County Data Book 2000," "The State and Metropolitan Data Book:1997-1998" and "The Hampton Roads Data Book." The data are for 1996-97. Hampton Roads local tax computed as a population-weighted average of the cities. Data availability forced the use of metropolitan area data in several cases.

Table 5

PROPERTY, SALES AND INCOME TAXES IN VIRGINIA AND SELECTED STATES (PER CAPITA)

State	Property Tax Per Capita	Rank Among States	Sales Tax Per Capita	Rank Among States	Income Tax Per Capita	Rank Among States	Combined Taxes Per Capita	Rank Among States
Virginia	726.14	27	388.06	45	644.39	16	1,758.89	27
North Carolina	472.18	41	526.33	34	**673.09**	**12**	1,671.60	30
Florida	**820.34**	**19**	**818.40**	**7**	0.0	46	1,638.74	31
Kentucky	363.25	46	459.33	41	656.97	14	1,479.55	39
Maryland	748.31	23	394.38	44	1,042.86	4	**2,185.55**	**11**
Georgia	651.86	33	727.43	13	577.19	22	1,956.48	20
Pennsylvania	720.72	28	481.23	39	608.86	18	1,810.81	25

Source: Barents, "Virginia's State and Local Tax Structure: Recent Performance and Restructuring Options, 1999," 9-12. The data are for 1996.

What about state tax burdens? Table 5 presents data that combine local property taxes with state sales and income taxes. One can see that Virginia's property tax revenues per capita rank it in the middle of the 50 states. Its sales tax revenues per capita are among the lowest in the nation (45th). The Commonwealth's income tax collections per capita are higher than average, and here Virginia ranks 16th.

When we put all of this information together and combine local tax payments with state tax payments, we find Virginia to be in the middle of the pack, ranking 27th overall in taxes paid per capita. Thus, Virginia is neither a high-tax nor a low-tax state in a national context. Tax burdens in Virginia are lower than those in neighboring Maryland, which must be classified as a high-tax state, but are a bit higher (overall) than those in North Carolina.

Table 6

TAX PROGRESSIVITY AND REGRESSIVITY IN VIRGINIA AND OTHER STATES

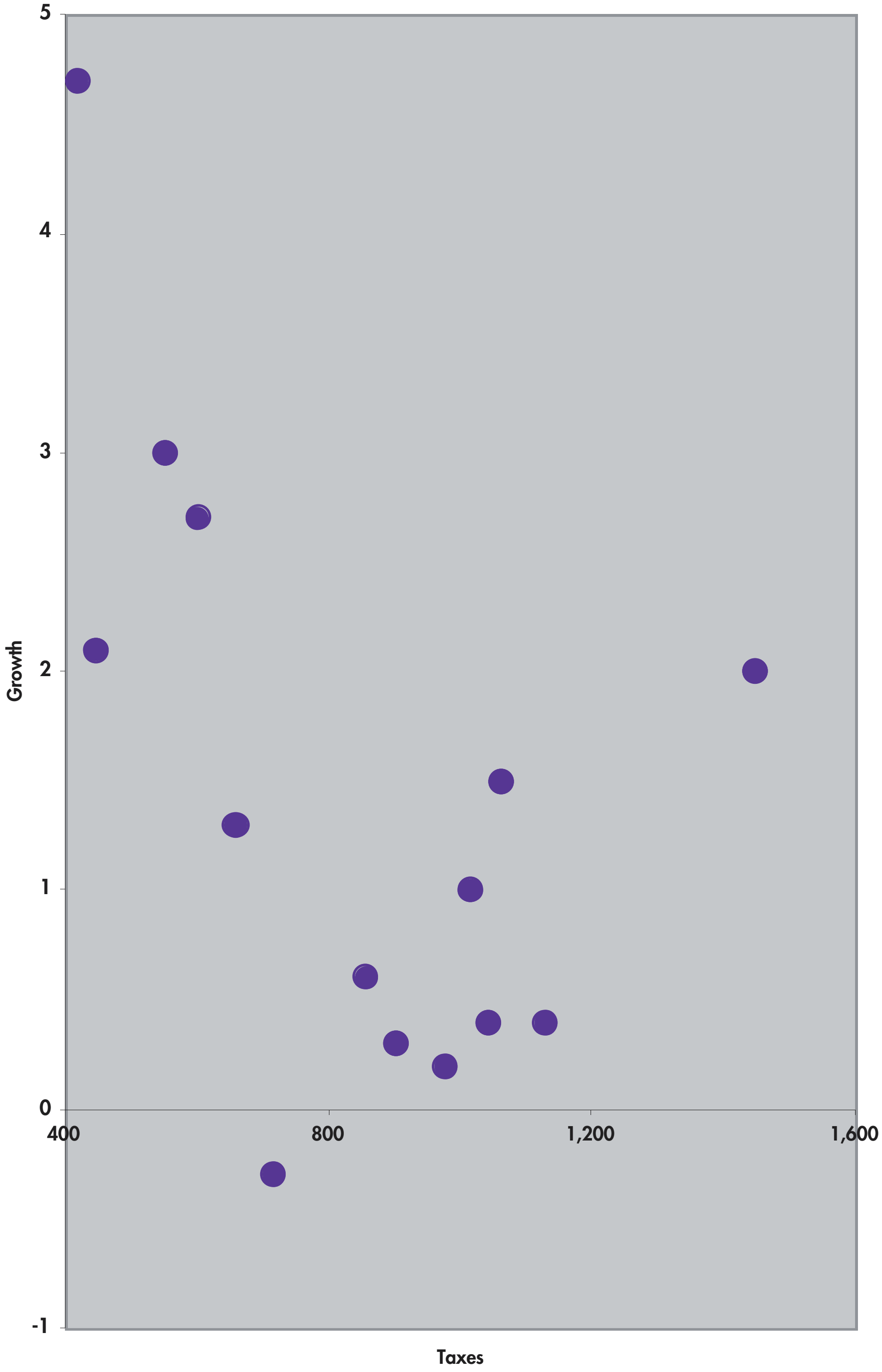
State/Tax	Sales Taxes			Property Taxes			Income Taxes			All Taxes		
	Low	Mid	Top	Low	Mid	Top	Low	Mid	Top	Low	Mid	Top
Virginia	5.2%	3.2%	1.8%	2.8%	2.1%	2.4%	1.7%	3.4%	4.1%	9.6%	8.7%	8.3%
North Carolina	6.5	4.0	2.6	2.1	1.4	1.6	1.1	3.9	4.9	9.6	9.1	7.7
Florida	**8.2**	5.1	3.1	**5.7**	2.5	2.7	0.0	0.0	0.0	**14.0**	7.7	5.8
Kentucky	6.1	3.9	2.5	2.2	1.4	1.9	2.1	5.1	5.7	10.4	10.2	8.7
Maryland	4.6	2.7	1.6	3.2	3.0	3.2	**3.2**	5.4	5.7	10.8	9.8	8.2
Georgia	7.3	4.3	2.6	2.8	1.8	2.1	1.0	3.5	4.0	11.1	9.6	7.4
Pennsylvania	5.2	3.2	2.0	5.6	3.4	3.5	2.6	3.6	3.7	13.3	10.2	9.2

Note: Each percentage in the table represents the proportion of an individual's income that he/she pays in taxes. Thus, a Virginian in the lowest quintile of incomes (the lowest 20 percent) pays an average effective sales tax rate of 5.2 percent of his/her income. For the highest 20 percent of Virginia incomes, however, the effective sales tax rate falls to only 1.8 percent.

Source: International Institute on Taxation and Economic Policy, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States." Washington, D.C., data are for 1995.

Graph 2

THE RELATIONSHIP BETWEEN ANNUAL JOB GROWTH AND ANNUAL TAXES PAID IN CITIES



Source: Data taken from Table 5

Many people believe one of the most important characteristics of any tax system is its progressivity. That is, they want higher-income individuals to pay a larger proportion of any tax than lower-income individuals. Table 6 presents such data for those with the lowest 20 percent of incomes, the middle 20 percent of incomes and the highest 20 percent of incomes ("low," "mid," "top"). The data are for 1995 and reflect non-elderly married couples.

One can see in Table 6 that Virginia's tax system is not progressive; this is especially true for the sales tax, where the top 20 percent of incomes pay an average of only 1.8 percent of their incomes in sales taxes. **Thus, the sales tax in Virginia is a regressive tax because lower-income individuals pay a higher proportion of this tax than do higher-income individuals.** Virginia's property tax and its income taxes are roughly proportional – neither progressive nor regressive. Taking all of these taxes together, **the overall Virginia tax structure is mildly regressive.** Still, this is also true in all of the other states in the sample, except for Florida, which supports a much more regressive tax structure than the other states. This reflects the fact that Florida does not have a state income tax.

Table 7

GENERAL SALES AND EXCISE TAX RATES IN VIRGINIA AND OTHER STATES

State	Sales Rate Tax	Gasoline Tax, cents per gallon	Cigarette Tax, cents per pack	Beer Tax, cents per gallon
Virginia	3.5%	$.175	$.025	$.256
North Carolina	4%	$.243	$.050	$.484- $.534*
Florida	6%	$.040	$.339	$.480
Kentucky	6%	$.150	$.030	$.080
Maryland	5%	$.235	$.660	$.090
Georgia	4%	$.075	$.120	$.480
Pennsylvania	6%	$.120	$.310	$.080

*North Carolina beer tax varies with container size.

Source: The Tax Foundation, "Various State Tax Rates as of December 21, 2001," http://www.taxfoundation.org/variousrates.html

Whether one believes a progressive tax system is equitable is a matter of opinion. What is true, however, is that progressive tax structures tend to generate more tax revenue than regressive tax structures.

Since sales and excise taxes are so important a part of the Virginia tax structure, it is worthwhile to examine how the Commonwealth compares to other states in this area. Table 7 compares Virginia's tax rates on general sales, gasoline, cigarettes and beer to the rates charged by other states. This comparison is useful because it highlights the willingness of elected officials to tax specific products that are, in general, relatively unresponsive to price changes (at least in the short run) and have the potential of generating substantial tax revenue. Further, many argue that such taxes are a good idea because several constitute "sin" taxes upon behaviors that should be discouraged.

The data reflect a mixed picture for Virginia where sales and excise taxes are concerned. The Commonwealth's sales tax rate is the lowest among the states in the sample; its gasoline tax is fourth highest among the seven states; its cigarette tax is the lowest among the seven; and its beer tax is fourth highest. In fact, Virginia's cigarette tax is the lowest in the United States! Clearly, there is room (though probably not the political will) for the Commonwealth to increase this tax.

The November 2002 regional sales tax referenda in Hampton Roads and Northern Virginia will provoke many questions about the existing level of sales taxes and overall tax burdens in the Commonwealth. **As Table 7 demonstrates, Virginia's sales tax is low compared to other states.**

Table 8

GROWTH IN PERSONAL INCOME VERSUS GROWTH IN STATE TAXES, 1990-2000

State	Percent Real Growth in Taxes	Rank of State Tax Growth	Percent Real Growth in Personal Income	Percent Growth in Personal Income Minus Growth in Taxes
Virginia	4.51%	17	3.06%	-1.45%
North Carolina	**4.61%**	**13**	3.85%	-.76%
Florida	4.24%	20	3.12%	-1.12%
Kentucky	3.89%	27	3.00%	-.89%
Maryland	2.67%	43	2.43%	-.24%
Georgia	4.47%	18	**4.49%**	**+.02%**
Pennsylvania	3.26%	35	2.96%	-1.30%

Note: The growth rates are "real," that is, they are corrected for inflation and all dollars are year 2000 dollars.

Source: The Tax Foundation, "Table 3: State Tax Growth Compared to Personal Income Growth, 1990-2000 " http://www.taxfoundation.org/tgaxgrowth.html

A final useful comparison deals with the relationship between state tax growth and growth in personal income during the 1990s. Table 8 presents the evidence.

The first column provides information on the average annual growth in taxes over the decade. North Carolina and Virginia lead the pack in this sample of states. Both relied upon dramatic increases in tax collections to increase public spending significantly in the 1990s. The third column records the growth rate of personal income over the decade of the 1990s. Here, Georgia clearly leads the way. Virginia's 3.06 percent annual rate of growth in personal income over the decade of the 1990s slightly exceeded the national average (2.95 percent) and ranked 20th among the 50 states. Reflected in the last column is the difference between the growth in income and the growth in taxes. **Virginia does not look good in this light, for its growth rate of taxes exceeded the growth rate of its income by 1.45 percent, the largest deficit in the sample.** Virginia is neither a low-tax nor a high-tax state in a national context. However, trends such as the one identified in Table 8 bid to reverse that status. **While many commentators and elected officials have been effusive in their praise of the 1990s in terms of the Virginia economy, in fact the performance of this economy was only slightly better than average during the decade.** Further, one might well argue that the Commonwealth lost its fiscal discipline during the 1990s, one of the reasons why Gov. Mark Warner and the General Assembly have been grappling with an annual budget deficit that appears to grow continuously.

Suggestions For Change

In this section we discuss proposed modifications to the existing tax structure to help address the revenue concerns of local governments. The most attractive set of proposals was put forward by the State Commission on Local Tax Structure in 2001. The recommendations relevant to tax policy, as opposed to spending policy or the shifting of spending responsibility to the state, were:

- Remit no less than 6 percent of state income tax revenue to localities based on a yet-to-be-developed funding formula.
- Expand the sales tax to services, amusements and auto repair.
- Simplify the state income tax to two brackets: 5 percent on taxable income up to $50,000 and 5.75 percent on taxable income greater than $50,000.
- Give cities and counties identical taxing authority.
- Examine the granting of tax-exempt status to non-governmental real properties.

Proposals to remit increasing amounts of the state income tax to localities have long been a popular notion with cities and counties. **Proponents point out that the Commonwealth is very good at collecting income taxes. The state income tax is an efficient, highly productive tax in terms of revenue generation, while the major revenue sources of the localities (such as the real property tax) are much less efficient and are not expanding as fast as the economy as a whole.** Nearly everyone agrees on these points. The problem, of course, is how to distribute the money to the localities. No locality wants to receive a smaller slice of the pie than it is receiving now. Some suggested formulae actually have been shown to diminish the amount of revenue that regions such as Northern Virginia and Hampton Roads currently receive from the state. It would be difficult to make all localities "winners" if a new distribution formula were adopted, unless taxes were increased at the same time. That does not seem likely. For that reason, it is not clear that this recommendation will ever be politically feasible, despite its overall appeal.

Expansion of the sales tax base may be the least problematic of available policy options in terms of political impact. The growing use of services and the accompanying proportionate reduction in the consumption of physical goods have meant that the Virginia sales tax no longer covers a large proportion of economic activity. As The Virginian-Pilot noted acerbically, Virginia taxes coffins, but not funerals. Consequently, many experts believe that more items should be subject to the sales tax, especially services. If this is accomplished, then it will reduce the current tax preference that exists for untaxed services.

If and when the sales tax is made more universal, in theory it would be possible to lower the sales tax rate without reducing revenue. This may seem an unlikely outcome, but one that has occurred in other states. In any case, an increase in the sales tax base would increase the tax revenues of localities because the localities receive 1 percent of the revenue generated from a now much wider sales tax base.

There are other sales tax options to consider. Some individuals have suggested that the current 3 percent motor vehicle sales tax be replaced by the 3.5 percent general sales tax. This could generate an additional $100 million in state tax revenue and might generate less pain than many other revenue options.

Economists nearly always favor simple, straightforward, broad-based taxes with low marginal rates. This reduces economic distortions and also diminishes the financial and personnel resources individuals and firms must devote to filing taxes under a more complicated set of tax rules. The local impact of this, however, would be difficult to predict because of both economic and political factors. However, rather than tax simplification in the Commonwealth, much the opposite has taken place in recent years. **During the 1990s, at least $1 billion in tax preferences were approved by the General Assembly.** Most of these preferences have surface virtue – for example, reducing the taxes of senior citizens – but they complicate the tax code, introduce distortions, impose additional costs on other individuals who must now pay more, and reduce government expenditures on other vital items such as transportation and education. It is not clear that such well-meaning actions are good public policy.

Currently, not all cities and counties in Virginia have the ability to levy taxes. It makes economic sense to treat cities and counties the same with regard to their ability to impose taxes. They both offer the same services. Further, there is little overlap between city and county governments in Virginia, and hence there are no double taxation issues that would appear to preclude treating cities and counties the same.

Finally, as noted before, **the exclusion of many properties from taxation clearly injures cities such as Newport News, Norfolk and Portsmouth. These cities have the most tax-exempt property of any governmental units in the region. Arguably, the Commonwealth should treat these cities, which have substantial tax-exempt property in their midst, in a fashion similar to the way it treats the City of Richmond.** Richmond receives significant funding from the Commonwealth because it is unable to tax the considerable amount of state property located within its city limits. The same general argument can be made in favor of "offset funding" for Hampton Roads, most especially because of the tax-exempt state port facilities in the region. At the same time, it should be noted that the Commission on Local Tax Structure, in its report, made the argument that many localities have not imposed service fees that could be charged on tax-exempt property. Within limits, this approach might allow Newport News, Norfolk and Portsmouth to recoup some of their lost revenues. These cities would have to be careful, however, that their service fees do not cause shipping firms and port traffic to move elsewhere.

Final Observations

The most important role that economists play in a discussion of taxes and tax policy is to provide citizens and political decision-makers with a set of the relevant issues and a prediction of what the impact changes in tax policy will be. The final decision is often based on political rather than economic criteria. Nonetheless, a final example is useful. **Consider the looming possibility of an increase in the general sales tax within the Hampton Roads region in order to pay for vital transportation projects. Is this the best way to generate the needed revenue? Most economists would say "no," and would instead support a user tax on gasoline.** This is viewed as preferable to a general sales tax increase, which would force some individuals who do not use the new highways and bridge/tunnel crossings to pay for them nonetheless. The Virginia sales tax also is notably regressive, and lower-income individuals pay a much higher proportion of their incomes in sales taxes than do higher-income individuals.

Yet another option, in lieu of an increase in the general sales tax, would be to borrow the necessary funds in the bond market and then to pay for the bonds with tolls imposed on drivers who use the new highways and bridge/tunnel. Tolls have been notably unpopular in Hampton Roads because they constantly remind drivers of the cost of road projects (many drivers would prefer the illusion that their driving is "free") and because drivers frankly object to the hassle associated with toll booths.

We cannot settle this issue here. Nonetheless, as we have done with the overall tax structure of the region, we can use rational analysis to point out the characteristics of the alternatives in front of us. In the final analysis, as a wag once pointed out, most citizens believe that the best tax is one that they pay less and others pay more – a simplistic formulation, but remarkably accurate.

newspapers in hampton roads

Newspapers In Hampton Roads: Competition, Coverage And Issues

Every morning, Monday through Saturday, more than 290,000 residents of Hampton Roads receive a daily newspaper printed in the region. Meanwhile, every Sunday of the year, more than 347,000 area residents are recipients of locally produced newspapers, according to Editor & Publisher Market Guide 2002. Chances are quite good that readers of either the Norfolk-based Virginian-Pilot or the Newport News-based Daily Press will be treated every day to solid journalism, compelling photography, visually pleasing page layouts, plus editorials and columns that bring local issues to life for both consideration and pleasure. **Annual evidence shows that when the Virginia Press Association issues awards for daily newspapers throughout the Commonwealth, numerous staff members from both papers are recognized for their achievements in writing, design and photography.**

Chances are equally good that readers of either newspaper will be reasonably familiar with the same international, national and statewide issues. The Roman Catholic cardinals' summit with Pope John Paul II, the latest turn of events from the West Bank, the gripping news of more terrorist activities planned by members of al-Qaida and the return of the USS Cole to Hampton Roads have been featured prominently in both newspapers.

Readers of both papers also can count on news of how Old Dominion University's women's basketball team performed against the University of Connecticut, or how the Norfolk Tides fared against the Richmond Braves in a doubleheader, or how well the Tribe of William and Mary played football against New Hampshire.

Readers further stand a reasonable chance of ascertaining – based on "lifestyle" coverage – what is happening on a regular basis at the Virginia Air and Space Museum in Hampton, the Norfolk Botanical Gardens, Busch Gardens in Williamsburg or the Verizon Wireless Virginia Beach Amphitheater.

But, that is where the duplicate coverage tends to stop. **Woe to the reader who searches for news from the communities "on the other side of the water." A resident of Newport News who wants news of Virginia Beach is likely to be disappointed if she reads the Daily Press. Similarly, a resident of Portsmouth who wants to know more about Hampton is not likely to be able to satisfy that need by reading The Virginian-Pilot.** Judging from the data of the Audit Bureau of Circulations (the national agency that examines and disseminates circulation data to advertisers, advertising agencies and publishers), neither newspaper sells many papers on the other side of the water. Few residents of Hampton Roads subscribe to both newspapers.

As a part of this review, we examined the local news coverage of both newspapers. **What's especially ironic about the findings is that both papers have expressed editorial support in the past for looking at the many cities and counties of Hampton Roads as one region. Both have taken the time to applaud the efforts of regional cooperation and both have chastised elected officials and other policy makers for not finding more ways to work together.**

By way of illustration, the two dailies have expressed concern about the plethora of economic development agencies in Hampton Roads and questioned whether all of these organizations are necessary. They have even challenged those same economic development entities to avoid efforts that would simply relocate firms from one community to another.

News executives from both The Virginian-Pilot and the Daily Press, however, do not see a contradiction in editorializing for regional issues while simultaneously covering only the local news and politics on their side of the water. They insist their newspaper first and foremost must maintain a unique local value to its readers. And, they believe this is what sells.

Generally, any sharing of a news story from the other side of the water is the result of reporting by the Associated Press (even though a few times – albeit short-lived – each paper assigned a reporter to cover its rival's territory). Few bylines in either paper precede news stories reporting on issues from the other side. These few exceptions typically involve sports, business or higher education.

Clearly, there are many opportunities where news parallels could be drawn, but the papers rarely consider an approach to an issue from a community outside of their primary circulation areas, even though the other side of the water lies within the geographic region labeled as Hampton Roads.

Gloucester and Virginia Beach, for example, have both recently examined the issues surrounding the implementation of year-round school. Surely, Norfolk and Newport News must share common issues as urban areas. Likewise, Chesapeake and Williamsburg face similar traffic congestion problems during the summer months. Nonetheless, most readers are not made aware of this, or if they are, it is not because they have read their daily newspaper.

Of the two newspapers, the Daily Press historically has been more likely to cover a story – at least sports- or lifestyles-related– from the other side of the water than has been The Virginian-Pilot. Experienced readers believe The Pilot previously covered more Peninsula activities – at least those related to science and technology – when it employed a full-time science writer in the mid-1990s.

Since many of the region's most important science- and technology-related entities (the Jefferson Lab, NASA, the wind tunnel, the Applied Research Center, etc.) are housed on the Peninsula, it makes sense that regular news datelines on their activities should originate from there. However, after The Virginian-Pilot chose to do away with its full-time science writer position, its coverage of these activities diminished.

While Old Dominion University and Norfolk State University are covered closely and thoroughly by The Virginian-Pilot's education team, it would be rare for a Southside reader to catch more than a glimpse of what faculty and students are up to on the campuses of Christopher Newport University, Hampton University and Thomas Nelson Community College. The College of William and Mary receives a bit more coverage. Nonetheless, more often than not, if The Pilot does mention these schools, it is typically a comparative reference in a roundup piece on all of higher education. With respect to institutions outside of Hampton Roads, The Virginian-Pilot does give more attention to academic achievements at the University of Virginia and Virginia Tech.

By contrast, the Daily Press does give Old Dominion University more coverage than, say, Christopher Newport University receives from The Virginian-Pilot, though its coverage of Norfolk State University is minimal. The Daily Press also will venture to the Southside to cover a nationally known business speaker at an event such as the Economics Club of Hampton Roads, though in recent times it has become more reluctant to follow stories across the water.

This provokes an intriguing question. Would one newspaper change some of these coverage patterns, or would reporting requirements and circulation zones nonetheless guarantee the status quo? The answer depends upon the identity of the experts to whom you talk.

If there were but one dominant daily newspaper in Hampton Roads, this paper would without question be the largest Virginia-based paper. According to the Editor & Publisher Market Guide 2002, The Virginian-Pilot is the leader in a close race with the Richmond Times-Dispatch for the honor of being Virginia's largest daily newspaper. The Pilot sells about 1,000 more papers than the Times-Dispatch during the week and about 3,000 more on Sunday.

However, if the circulation of The Virginian-Pilot and the Daily Press were combined, daily circulation would approximate 290,000 and Sunday circulation would approach 350,000. Even so, while this impressive number no doubt would entice national advertisers to make additional media buys here, it still would not move the new united "Virginian-Press" newspaper into the Top 20 U.S. daily newspapers by circulation. The 20th-largest daily newspaper in the country, The San Diego Union-Tribune, holds that spot with a circulation of 370,000 daily and 439,000 on Sundays.

The Virginian-Pilot's current circulation places it in about 55th place nationally. It sells more papers than The Cincinnati Enquirer and the Las Vegas Review-Journal, but trails such papers as the St. Paul Pioneer Press and The Daily Oklahoman. For further perspective regarding Hampton Roads regional papers, the Washington Post has more than 760,000 daily subscribers and more than 1 million on Sundays. Thus, many (especially those in Northern Virginia) argue that it is the Washington Post, not The Virginian-Pilot or the Times-Dispatch, that is the Commonwealth's largest and perforce most influential paper where Virginia affairs are concerned.

Relatively few large metropolitan areas are served by a single, dominant newspaper. Among the newspapers so situated are The Buffalo News, The Portland Oregonian and the St. Louis Post-Dispatch. These newspapers clearly cover, and purport to speak for, the entirety of their respective regions. That this is true is a function both of each newspaper's peculiar history and respective geography. Yet, there are not many other similar examples, even though there have been attempts by many newspapers to achieve this status.

One of the country's better-known regions is Florida's Tampa-St. Petersburg, home to two of the Top 50 U.S. newspapers. The St. Petersburg Times ranks 28th with a daily circulation of more than 325,000, while The Tampa Tribune is the 49th-largest paper with a daily circulation of 213,000. Both newspapers have spent millions of dollars at various stages in only modestly successful attempts to recruit subscribers from the other side of the water in that region, while still attempting to maintain their current readers. Both papers compete for news stories in certain communities and on certain issues, but for the most part, the majority of readers they reach remain residents of the city listed on their flag.

Dallas-Fort Worth and Minneapolis-St. Paul have also waged circulation wars over the years, but frontal assaults usually don't work. The Dallas Morning News went after the Fort Worth Star-Telegram in lucrative Arlington County by establishing the companion Arlington Morning News, but it eventually pulled back its Arlington coverage into the Morning News. A journalism faculty member from the University of Texas at Austin, who requested anonymity, said the lesson others should draw from Texas is: "When both newspapers are well-funded, the hometown team will probably win."

Paul N. Pohlman, associate dean of the Poynter Institute (a St. Petersburg, Fla., school for journalists, future journalists and teachers of journalism), doubts that one newspaper would serve his region or any region, including Hampton Roads, better than two. He argues that two dailies in most regions are typically more likely to have greater resources than one large paper. Therefore, he believes that local coverage in a market such as Hampton Roads could suffer with the elimination of one news source. Against this, many resources appear to be used for duplicative purposes in "two daily newspaper" regions. That is, the two papers devote money and people to the same issues. Large newspapers seem better disposed to undertake substantive studies and examinations and to send reporters outside of their regions.

Some supporters of multiple newspapers believe that competition produces superior journalism and that this causes newspapers to specialize and produce better coverage. This would appear to have some validity if one considers the coverage of local news stories.

Ultimately, however, many newspaper experts say citizens anywhere can gain more regional information (or any other kind of information) simply by expressing that need to editors, publishers and ownership groups. Public groups have the right to encourage different coverage by insisting that their news media look at the entire region when reporting on issues. Newspapers are, after all, businesses and they exist to turn a profit. Hence, they are likely to respond favorably only if news of regional issues is seen as something their reading public actually desires.

It is interesting that the Hampton Roads Partnership, whose board includes representatives from both The Virginian-Pilot and the Daily Press, has not spent much time promoting regional newspaper coverage. Nor have the regional chambers of commerce expended much capital on this topic. These organizations apparently do not see increased newspaper coverage of regional issues as critical.

However, inevitably, one must ask the hard commercial question: Would more coverage of Chesapeake in the Daily Press, or some additional reports about Newport News in The Virginian-Pilot, sell more newspapers or attract more advertising? Perhaps, but those results are not obvious. We may have something resembling a "Catch 22" situation with respect to regional coverage. Publishers and news executives are disinclined to increase coverage unless they can be assured of selling more newspapers, but arguably they can't sell those additional subscriptions until they change their coverage.

What is clear is that this is an issue to which both newspapers have given considerable thought. **Both newspapers believe they currently are making intelligent decisions with respect to regional coverage, and it is difficult to argue that these decisions are not profit-maximizing in nature.**

A History Of Daily Newspapers In Hampton Roads

One of Hampton Roads' regional newspapers traces its origins to the end of the Civil War. The other is as old as its home city. Both papers were shaped by a savvy, energetic "Colonel" who was the William Randolph Hearst of Hampton Roads early last century, and both papers were brought to prominence by prominent local families. The dominance of The Virginian-Pilot on the Southside and the Daily Press on the Peninsula is the product of colorful newspaper wars and mergers pursued by aggressive newspapermen reacting to changing market forces. And, it is market forces that today appear to dictate maintenance of the status quo. **The Virginian-Pilot and the Daily Press may skirmish at the edges of their circulation areas (for example, in western Hampton Roads), but they seldom attack each other on their rival's home turf.**

That was not always the case. Modern newspaper history here dates back to the end of the Civil War. No local newspapers survived the Federal occupation of southeastern Virginia, but not long after the war's end, five new journals sprang up. One was the Norfolk Virginian, begun by a group of printers and editors from Petersburg who published their inaugural morning edition on Nov. 21, 1865. In a prospectus printed in its early issues, the Virginian touched on issues that continue to be compelling today: economic growth and regionalism. "We design that the VIRGINIAN shall be especially devoted to the advancement and prosperity of Norfolk and her sister city (Portsmouth), and the large section of Virginia whose interests are common with theirs," the paper said.

Even as it pushed its agenda, the Virginian struggled to survive in the latter half of the 19th century against competition from a host of other newspapers, including the morning Landmark and the afternoon Public Ledger. In 1884, the Landmark complained that Norfolk's 25,000 people (half of them African American) could not support the four dailies and four weeklies. Still, by 1896, seven dailies were serving the 60,000 residents of Norfolk and Portsmouth, with the real competition being between two morning papers, the Virginian and the Pilot. In 1898, those two dailies merged.

Meanwhile, on the Peninsula, the first edition of the Daily Press was published on Jan. 4, 1896, less than two weeks before Collis P. Huntington's railhead became the incorporated city of Newport News. Editor and manager Charles E. Thacker promised "the best paper ever published on the Peninsula – a paper worthy of the growing city of Newport News." Apparently, these were nobler intentions than that of the Daily Ticket, one of at least eight newspapers to precede the Daily Press on the Peninsula. According to one account, two sisters founded the Daily Ticket in 1895 to qualify for the free passes that railroads often gave to newspaper editors. The sisters reportedly wanted to visit their ailing brother in Florida.

Early on, the Daily Press was the dominant morning newspaper on the Peninsula, but it also had much competition, primarily from the Evening Times and the Morning Herald, founded as separate newspapers on April 3, 1900, by the Newport News Publishing Co., with Samuel L. Slover as publisher.

Slover, the son of a Tennessee court clerk, was the dominant force in Hampton Roads journalism in the first half of the 20th century, at one time or another owning or controlling six of Virginia's largest newspapers. As a young man of 19, Slover successfully managed a state political campaign and then was hired to sell advertising for the ailing Knoxville Journal. He soon became general manager, doubled the paper's circulation and personally paid off the Journal's $36,400 debt when it still failed despite Slover's best efforts.

It was in 1896 when the 22-year-old Slover arrived in Virginia, where he saw opportunity for an enterprising entrepreneur in the state's crowded field of struggling newspapers. He asked Joseph Bryan of the Richmond Times for a loan to jump into the Norfolk market, but Bryan instead hired Slover to sell ads on commission. However, by 1900, Slover was in the thick of the Peninsula's newspaper wars. One year later, declaring Newport News a "pre-eminently afternoon field," Slover merged the Times and Herald into the afternoon Times-Herald, promising "the snappiest, liveliest newspaper, certainly in this city." For the next six decades, Slover's combined afternoon newspaper would remain preeminent on the Peninsula, but Slover himself would have other fish to fry on the Southside.

In 1905, Slover bought the Norfolk Ledger for an estimated $50,000 and briefly changed the company's name to Norfolk-Newport News Publishing Corp. It was perhaps the only time in Hampton Roads history that a single newspaper company had a major presence on both sides of the water. But it was short-lived. Slover soon sold his interest in the Times-Herald and Walter S. Copeland resigned from the Richmond Times-Dispatch to become president and editor of the Newport News afternoon daily.

Col. Slover, as he came to be known, wasted little time in shaking up the Southside market. He immediately suggested a partnership with James M. Thomson of the Norfolk Dispatch. Thomson declined initially, but by the next year the papers were merged into the new Norfolk Ledger-Dispatch. The Ledger-Dispatch's main competitor, The Virginian-Pilot, also made a move by taking over the Norfolk Landmark in 1911.

By 1910, the Daily Press had serious financial problems, and Charles Thacker sold out to George and Henry Schmelz, prominent bankers who had helped finance the paper's first 14 years. In 1913, the Daily Press consolidated with the Times-Herald, with Copeland as co-owner and editor. The Daily Press created two equal classes of stock each worth $25,000. Copeland owned one class; the Schmelz families primarily owned the other.

In "Salt Water & Printer's Ink," an account of the Norfolk newspapers, Lenoir Chambers wrote that the history of newspaper publishing in Norfolk was "one long story of newspaper consolidation. The economics of publishing was ending the multi-newspaper era." The same obviously applied to the Peninsula. By the second decade of the 20th century, the Peninsula and Southside were essentially two-newspaper towns. Both had a morning and an afternoon daily. Although the Peninsula's two newspapers were owned by the same company, they maintained separate news and editorial staffs, while sharing photo, circulation and advertising departments. In South Hampton Roads, The Virginian-Pilot and the Ledger-Dispatch remained separate competing newspapers until 1933, when Slover merged the two companies. However, like the Daily Press and the Times-Herald, the two Norfolk newspapers retained news and editorial independence, and competition between the two staffs continued unabated.

Three families would oversee the growth and expansion of Hampton Roads' newspapers through the 20th century. On the Peninsula it was the Bottom and Van Buren families; on the Southside it was the Battens.

The Bottom family entered the Peninsula's newspaper scene when Raymond B. Bottom and his father-in-law, the prominent funeral director and businessman William Rouse, bought a major interest in the Daily Press and Times-Herald in 1930. Eight years later, William R. Van Buren, son-in-law of banker George Schmelz, joined the newspaper as treasurer and news editor upon his retirement from the Navy. Van Buren, Bottom and Bottom's wife, Dorothy Rouse Bottom, ran the papers' business and editorial activities, as later did their sons, William R. Van Buren Jr. and Raymond B. Bottom Jr.

On the Southside, Slover, who had no children, passed on his newspapers to his nephew Frank Batten Sr., who became The Virginian-Pilot publisher in 1954 at age 27, not long after returning home from graduate school. Batten Sr. eventually took over the entire company, and was succeeded by his son, Frank Batten Jr., late in the century.

Both companies grew and diversified through the mid- and late-20th century. The Newport News company took over radio station WGH-AM, and in later years moved into industrial electronics, a shopping mall and cable television. Slover acquired WTAR-AM, the state's first radio station, and launched WTAR-TV, the state's second television station.

The Norfolk company also bought other newspapers. In 1962, the Portsmouth Star was absorbed into the Ledger-Dispatch, forming the Ledger-Star. One year later, when Virginia Beach merged with Princess Anne County, and South Norfolk and Norfolk County formed the new city of Chesapeake, the Norfolk-based newspapers found themselves the hometown newspapers of four cities: Norfolk, Portsmouth, Virginia Beach and Chesapeake. The Virginian-Pilot published an advertising salute to the cities of Virginia Beach and Chesapeake. The Portsmouth edition of both The Virginian-Pilot and the Ledger-Star was revamped into a Portsmouth-Chesapeake edition, and each paper named a metropolitan editor to oversee area-wide coverage. Each paper's editorial page foresaw some form of metropolitan cooperation for the future. The Ledger-Star advised in an editorial: "What old Ben Franklin said of the colonies is equally true of Tidewater's people. We can either hang together or, economically, we will surely hang separately."

However, the reality was that the Norfolk newspapers were serving four separate and distinct cities. This was made evident when the papers started publishing and distributing the Beacon, a tabloid insert that focused specifically on Virginia Beach news. It was the first of a string of targeted tabloids.

In the 1960s, Frank Batten's company acquired daily newspapers in Roanoke, Va., and Greensboro, N.C. In 1967, with the company expanding beyond newspapers, its name was changed to Landmark Communications, referencing the old Norfolk Landmark that had been absorbed by The Pilot. Over the last few decades, Landmark acquired a string of local community papers, moved further into broadcast and launched The Weather Channel.

Change also came to the Daily Press and Times-Herald. Eventually, the two papers' news, sports and lifestyle departments were merged. Then in 1986, nearly a century after the first Daily Press hit the streets, the two newspapers and the company's affiliated businesses were sold to the Tribune Co. for $200 million. Thus ended more than a half-century of Bottoms/Van Buren control. In August 1991, the Tribune discontinued publication of the afternoon Times-Herald. With afternoon dailies becoming an endangered species, Norfolk's Ledger-Star also ceased publishing in August 1995.

Today, consolidation has left Hampton Roads with two major morning dailies, one for each side of the water. While The Virginian-Pilot and the Daily Press are not content to sit pat, don't expect any major newspaper wars between them. Essentially, the two papers have distinct and separate geographical markets. The Virginian-Pilot's primary market consists of South Hampton Roads' five cities: Norfolk, Virginia Beach, Portsmouth, Chesapeake and Suffolk. It also distributes via home delivery on Virginia's Eastern Shore, in northeast North Carolina and in rural areas of Virginia outside Suffolk. The Daily Press's core market is the Peninsula, including Newport News, Hampton, York County, James City County, Williamsburg and Gloucester County, as well as in zones south of the James River, in the area of Western Tidewater. The paper's secondary market includes New Kent, Charles City, Matthews and Middlesex counties.

Still, over the years there have been limited assaults and continuing skirmishes between the two newspapers. A number of years ago, The Virginian-Pilot tried offering home delivery in Williamsburg but pulled back when the initiative proved too expensive. On occasion, the Daily Press tried going into South Hampton Roads with home delivery with essentially the same results. "We simply don't provide the depth of local coverage in each other's back yards," Virginian-Pilot circulation and marketing director Pam Smith-Rodden says. "So we can't pull in the circulation numbers."

Many expected a major showdown in Western Tidewater south of the James River with the opening of the Monitor-Merrimac Bridge-Tunnel in 1992, but that never materialized, in part because the opening coincided with an economic recession. "It's fairly quiet," Smith-Rodden says of the current situation. "We match each other box for box. However, the bulk of our news coverage is in the five cities. We don't have significant news staff covering the overlap areas. At this point, there isn't an overwhelming case to be made for expansion because physical distribution costs are so high. However, we are looking carefully at specific geographical areas. Chesapeake is growing. So is Suffolk, which has the greatest growth, but it is of a very small base."

Ernie Gates, editor of the Daily Press, argues that although full-scale frontal attacks haven't materialized, the two papers have and will continue to compete in the high-growth "suburban" areas of western Tidewater south of the James. And, it is there that the Daily Press is serious about increasing its penetration. Gates points out that during a number of instances in the past, the two papers had bureaus side-by-side in places such as Suffolk and Isle of Wight. "We have been competing head-to-head for many years. It comes and goes and ebbs and flows," Gates says. "I think this is really a long-standing thing. I think it's been going on intermittently forever." The result, he notes, is a distinct area from Portsmouth/Chesapeake/Suffolk borders all the way to Smithfield, where there is a blending of the circulations of the two newspapers.

Executives from both newspapers – on and off the record – say there is no "gentleman's agreement" for peaceful coexistence between the two newspapers. However, a newspaper war just doesn't make financial sense for either paper.

Weekly Newspapers And Inserts

In addition to the two major newspapers published daily in Hampton Roads, residents can gain information through a variety of smaller publications, including community news and entertainment weeklies. The Virginian-Pilot's city tabloids (Chesapeake Clipper, Norfolk Compass, Portsmouth Currents, Suffolk Sun and Virginia Beach Beacon) cover each of the five municipalities comprising South Hampton Roads. Like most city weeklies, these publications pay specific attention to happenings within each of the region's individual cities. Regular features in all five tabs include community calendars, school briefs and "notable neighbors" features, among other topics of interest relating specifically to the cities each represents.

As these tabloids are included in each Virginian-Pilot subscriber's regular newspaper, they allow many Hampton Roads residents to explore in-depth coverage of their community through the familiarity of their regular daily newspaper. Circulation varies for each publication: the Beacon, 78,263; the Clipper, 35,936; the Compass, 39,103; the Currents, 27,533; and the Sun, 18,025.

One of the most differentiated and interesting weekly newspapers in Hampton Roads is Port Folio Weekly, a newspaper covering politics, social issues and arts and entertainment in the region. This free publication, with a circulation of approximately 38,000, is published every Tuesday and rack-distributed, predominantly in South Hampton Roads. It is also available online at www.portfolioweekly.com.

Published by Landmark Communications and printed by The Virginian-Pilot, the Virginia Beach-based Port Folio is known in the region for its announcements and reviews of area concerts, theatre performances, art exhibitions, festivals and much, much more. Additional topics include columns on dining, health and fashion. In recent years, the publication has evolved from an arts and entertainment calendar into a broad-based publication providing news, information and opinions not typically found in the mainstream media.

Founded in 1988 and 1978, respectively, and published in Yorktown, The Poquoson Post and the York Town Crier cover community news in the city of Poquoson and York County. Although the two were for many years published separately, in early 2002 the publisher merged the two papers, listing both original nameplates as one on its front page. Circulation for the combined publication now totals 3,700. The weekly double publication still keeps news for each community separate, devoting the first half specifically to York County and the second to Poquoson. Coverage typically focuses upon local government reports, the combined area's four schools (primary, elementary, middle and high), local sports, arts and entertainment, and regular neighborhood news and announcements. State and national news are rarely covered except through stories which give the topic a hometown connection.

Williamsburg's Virginia Gazette was founded in 1736 as one of the first newspapers in the South. The paper celebrated its long history with a 250th birthday in 1986 when it was recognized as the oldest newspaper in America published on a non-daily basis. This semiweekly publication, which has been owned by the Daily Press since 2001, covers community news for the Greater Williamsburg area of Hampton Roads, including Williamsburg, James City County and upper York County. Regional and national news are regularly covered as well.

The Gazette circulates 16,500 copies each Wednesday and Saturday morning. The paper is available online at www.vagazette.com.

The Smithfield Times, founded in 1920, is a weekly publication covering news and events in Isle of Wight and Surry counties. Like other city weeklies, this publication focuses specifically on community news issues such as city council and schools. Additionally, community leaders and residents are often featured. With an average circulation of 5,346, the paper is also available online at www.smithfieldtimes.com.

Boasting of chronicling life in "The World's Largest Peanut Processing Center" since 1873, the Suffolk News-Herald covers news and events for the city of Suffolk every Tuesday through Sunday morning. While the vast majority of coverage in the News-Herald relates specifically to Suffolk, the publication prints various national news stories written by the Associated Press. Sports coverage also expands to the national level. Circulation for the News-Herald is 4,048. The community newspaper is available online at www.suffolknewsherald.com.

Tidewater News, published by Byerly Publications, is the semiweekly community newspaper for the city of Franklin. Founded in 1905, the paper covers news relating specifically to its community. Regular features touch on city council news, school issues and notable members of the community. Regional and national news are covered in relation to the community. The 7,791-circulation newspaper is published on Thursdays and Sundays.

El Eco de Virginia, a regional Latino newspaper, is published biweekly from offices in downtown Norfolk. It recently celebrated its 10th anniversary and is the state's oldest Spanish-language newspaper. Topics of coverage in this free tabloid-style publication include opinion pieces, as well as local and national news, especially topics affecting the Spanish-speaking community. All articles are written in Spanish, as the paper specifically targets a bilingual Spanish/English-speaking audience.

The Norfolk-based New Journal and Guide focuses upon the African American community and is one of approximately 300 such newspapers across the country. The weekly publication was founded in 1900 by the Supreme Lodge Knights of Gideon, a black fraternal order, and was originally called the Gideon Safe Guide. The paper became the New Journal and Guide in 1992. Now in its second century of publication, the New Journal and Guide seeks to uphold its longstanding mission of serving as an advocate for the African-American community. With 25,000 papers distributed each Wednesday, the publication covers local news, predominantly in South Hampton Roads, as well as state and national news. All coverage gives insight into news and events as they pertain to the African American community. The paper is available online at www.newjournalandguide.com.

Founded in early 2001, HR Monthly, the city and lifestyle magazine of Hampton Roads, seeks to "entertain, influence and challenge the readers of Hampton Roads and celebrate life in Southeastern Virginia," according to its mission statement. The glossy newsstand subscription publication covers area entertainment and lifestyle news. As a monthly publication, it takes less of a look at hardcore news, focusing specifically on feature stories of people and places in the region. The magazine's audience consists of 10,000 newsstand purchasers, plus 10,000 subscribers. HR Monthly can also be accessed via the Internet at www.hrmonthly.com.

Dolan's Virginia Business Observer provides weekly coverage of law, the courts, legal practice and commercial real estate activity in Hampton Roads. Established in 1963 as a court and commercial newspaper, the Virginia Observer, it changed its name after being purchased in 1997 by Dolan Media, a specialized business information company based in Minneapolis that publishes legal and business newspapers. Available at newsstands and through subscriptions, the Norfolk-based Dolan's Virginia Business Observer has a circulation of 1,500. It is available online at www.businessobserver.com.

Inside Business is a weekly business news publication with separate editions covering Hampton Roads and Richmond. Published by Landmark Communications, the 15,000-circulation newspaper focuses specifically on issues related to a variety of businesses in each of these regions. Coverage in Inside Business typically relates to

the business climate, market changes and new opportunities. It often devotes special attention to ongoing business issues within the region and interviews of business and professional leaders. Approximately two-thirds of the publication's distribution is mailed as a free subscription, and the remaining copies are rack-distributed in high business-related traffic areas. The paper is also available online at www.insidebiz.com.

Nine Volt, Hampton Roads' free music magazine, publishes biweekly with 20,000 copies rack-distributed at Hampton Roads record stores, concert venues, restaurants, clubs, colleges and universities. Typical Nine Volt content includes a calendar of local music events, as well as feature articles on bands and reviews of recently released CDs. The publication regularly highlights local talent. A small portion of its features is available at www.ninevoltmag.com.

Tidewater Parent, a free monthly tabloid also published by Landmark, aims to provide Hampton Roads parents with stories and columns from local writers and experts, along with family events calendars and entertainment reviews to assist parents in raising children. Special attention is paid to local resources that might be of interest to families in the Hampton Roads region. Reaching nearly 40,000 readers, this publication is rack-distributed each month throughout both the Southside and Peninsula. The tabloid is available online at www.tidewaterparent.com.

Hampton Roads is the most military-intensive large metropolitan area in the United States and hence it is not surprising that military newspaper coverage is extensive in both The Virginian-Pilot and the Daily Press. **The Virginian-Pilot, however, has taken a much more active role in publishing distinctive, specialized newspapers that focus upon the military.** The Flagship is the official newspaper of Naval Base Norfolk (though it circulates elsewhere) and is published by The Virginian-Pilot under a contract with the Navy. The paper is published every Thursday and distributed free of charge at locations on and off the base. In light of the significant number of military personnel stationed in Hampton Roads, The Flagship serves a critical need in providing specialized news and information for military members and their families.

Military Newspapers of Virginia, also a product of The Virginian-Pilot, publishes five newspapers (four weeklies and one monthly) under a government contract for various military installations in Hampton Roads. These include The Flyer (Langley Air Force Base), Jet Observer (Naval Air Station Oceana), The Wheel (Fort Eustis/Fort Story), Traveller (Fort Lee) and The Booster (Yorktown Naval Weapons Station). Total distribution for these publications is 47,500. Military Newspapers also publishes Soundings, a weekly independent newspaper covering Navy news in Hampton Roads for more than 20 years. Soundings is published every Wednesday and distributed in major grocery stores and at more than 300 additional locations throughout Hampton Roads. A Coast Guard edition of the publication is also distributed at 48 locations in the region.

Final Thoughts

The world of newspapers in Hampton Roads consists of much more than the two major dailies, The Virginian-Pilot and the Daily Press. The region is blessed with an abundance of weekly, monthly and insert print news sources. Yet, to many, the major print journalism question in Hampton Roads is, "Would we be better off if we had one major newspaper in the region rather than two?"

We cannot answer this question. One dominant regional newspaper would yield increased clout and attract national advertising that the dailies now sometimes miss. Further, a single dominant regional newspaper probably would have the resources necessary to cover major national and international issues in greater detail, for example, by sending reporters to specific news locations outside of Hampton Roads. Sandra Rowe, a former editor of The Pilot who now serves as editor of Portland's Oregonian, the single dominant daily newspaper of that metropolitan area, says the Oregonian has become a newspaper of the Northwest, not just the paper of the city of Portland.

On the other hand, Hampton Roads' two daily newspapers situation almost certainly results in superior coverage of intensely local news on the Peninsula and Southside. Further, Paul Pohlman of the Poynter Institute argues that the total resources deployed to news coverage of all types by two dailies in one region exceeds that which would be seen with a single dominant regional newspaper. Presumably, this occurs because the circulation of the two dailies, and perhaps local advertising revenues, exceed that which would accrue to a single dominant regional daily. Finally, the implicit competition between

Hampton Roads' two dailies may result in superior and more aggressive coverage of certain issues. Neither newspaper wants to be scooped.

Knowledgeable individuals report that in recent years there have been occasional discussions between the two newspaper organizations concerning purchase or merger. For various reasons, these overtures have come to nothing. It is not clear that the welfare of the region is tied in any meaningful way to the outcome of such discussions, if indeed they have occurred.

Two newspapers or one dominant newspaper? *"Machts nicht,"* the Germans often say to describe situations such as this. It really does not seem to matter much.