UPDATES ON THE ECONOMY AND WORKFORCE IN NORTHERN VIRGINIA

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Virginia House Appropriations Committee
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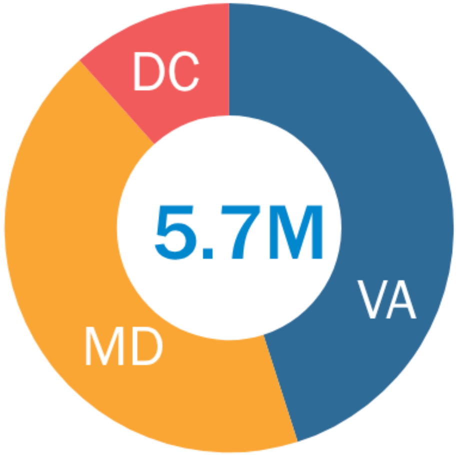
Metropolitan Washington
Council of Governments

About Our Region

5.7M people spread across the region: COG forecasts 1.4M more by 2050



- 53% bachelor's degree or higher (age 25+)
- 25% foreign born
- 1.1M age 5 to 19

The region is home to 20 "Fortune 500" companies

The region would rank 14th in GDP if it were a state

About COG

- Nonprofit association founded in **1957**
  - Brings area leaders together to address regional issues and plan for the future
  - **125+** professional staff
- Our membership:
  - **24** local governments
  - **300** local, state & federal elected officials representing about **6M** people
  - City/county managers, police/fire chiefs, transportation planners, housing/planning directors, environmental experts, and more

Metropolitan Washington Council of Governments

What Drives this Region's Economy?

Feds

Eds,

and Meds***

*** And Data Centers!

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Budget Factors in Maryland and DC

Maryland:

- Current $1.4 billion budget gap heading into the 2026 legislative session (roughly five times larger than the amount predicted in April)
- Economic pressures cited as factors-inflation, tariffs, and the rising costs of goods and services to state government, as well as Medicaid
- During the 2025 legislative session, a $3.3 billion structural deficit was closed through a combination of one-time fund transfers, tax increases and budget cuts

District of Columbia:

- Revised FY2025 revenues upwards by $208.9 million based on year-to-date collection data, which reflects significantly higher-than-expected revenue from corporate and individual income taxes
- Forecast for FY 2026–2029 has also been increased by an average of $180 million annually, mainly due to an improved economic outlook for corporate earnings and capital gains from financial markets

Moody's downgraded both MD's and DC's AAA Bond Ratings in 2025 due in large part to the economic impact of federal government workforce cuts

Northern Virginia

- Approximately 45% of the state’s GDP
- Fairfax County alone approximately 25% of the state’s GDP
- Largest Employer: Federal Government. Heavy Defense presence.

Pentagon (Touch of Light/Flickr)

Northern Virginia

- Feds: We'll discuss in detail today
- Meds: You'll be briefed on Medicaid forecast
- Eds: 1. Huge slowdown in international applications—one of the largest sources of income to higher ed

  2. Anticipate significant decrease/challenge in graduate loan availability—either will decrease enrollment or increase student debt

  3. Research dollars at risk—cuts/stated intent to reduce indirect on research

  4. "Demographic cliff" between now and 2030. Already seeing 10-20% drop year over year in students visiting/touring campuses

Federal Government Workers by Place of Residence

Source: U.S. Census Bureau, "Class of Worker by Sex for the Full-Time, Year-Round Civilian Employed Population 16 Years and Over," American Community Survey 5-Year Estimates, 2023, Table S2409.

JURISDICTIONS	RESIDENTS WHO ARE FEDERAL GOVT. EMPLOYEES (FULL-TIME, YEAR-ROUND CIVILIAN WORKERS)	RESIDENTS WHO ARE EMPLOYED (FULL-TIME, YEAR-ROUND CIVILIAN WORKERS)	SHARE OF EMPLOYED RESIDENTS WHO ARE FEDERAL WORKERS
District of Columbia	63,072	289,685	21.8%
Maryland (COG Region only)	163,818	964,020	17.0%
Virginia (COG Region only)	172,499	1,058,418	16.3%
COG Region	**399,389**	**2,312,123**	**17.3%**
District of Columbia	63,072	289,685	21.8%
Maryland (Statewide)	302,663	2,334,809	13.0%
Virginia (Statewide)	321,516	3,147,719	10.2%
Total DC MD VA (Statewide)	**687,251**	**5,772,213**	**11.9%**

Impacts to Virginia

- Total # of federal workers in Virginia: **321,516**
- Total # of federal contractors in Virginia: **441,000**
- Total # of federal workers and federal contractors: **762,516**
- Federal workers and contractors make up nearly **20%** of Virginia's total workforce, much higher percentage in the DMV

Sources: American Community Survey 5-Year Estimates, 2023, Weldon Cooper Center

Census Tract-Level Impacts

Federal government workers by place of residence

Census Tract	Name	Federal Workers	Fed. Share of Total Workforce
Census Tract 4211.01; Fairfax County; Virginia	Franconia	1,117	38%
Census Tract 4222.02; Fairfax County; Virginia	Laurel Hill	1,004	36%
Census Tract 4223.02; Fairfax County; Virginia	Franconia/Kingstowne	948	30%
Census Tract 4221.01; Fairfax County; Virginia	Lorton	882	32%
Census Tract 9008.01; Prince William County; Virginia	Neabsco	852	28%
Census Tract 1034.05; Arlington County; Virginia	Crystal City/Between Crystal Drive and Richmond Hwy	833	32%
Census Tract 1035.04; Arlington County; Virginia	Crystal City/South of Army Navy Drive/North of 15th Street	829	37%
Census Tract 4203; Fairfax County; Virginia	Rose Hill	827	31%
Census Tract 1035.03; Arlington County; Virginia	Crystal City/North of 18th Street/South of Army Navy Drive	810	30%
Census Tract 6118.07; Loudoun County; Virginia	Avonlea	801	20%

Source: U.S. Census Bureau, 2023 American Community Survey (ACS) 5-Year Estimates

Median Earnings for Federal Government Workers

Jurisdiction	Federal Workers	All Workers
Arlington County	$140,594	$106,518
City of Alexandria	$130,475	$92,088
Fairfax County	$141,620	$97,794
City of Fairfax	$143,125	$89,723
City of Falls Church	$150,192	$122,437
Loudoun County	$147,763	$109,145
Prince William County	$126,452	$76,907
City of Manassas	$124,265	$66,130
City of Manassas Park	$107,185	$65,424
DC-VA-MD Metro	**$129,768**	**$86,008**

Metro area **$130K** (median annual federal earnings) X **172,499 workers**

(16% of regional federal workforce) = **$22.4 Billion**

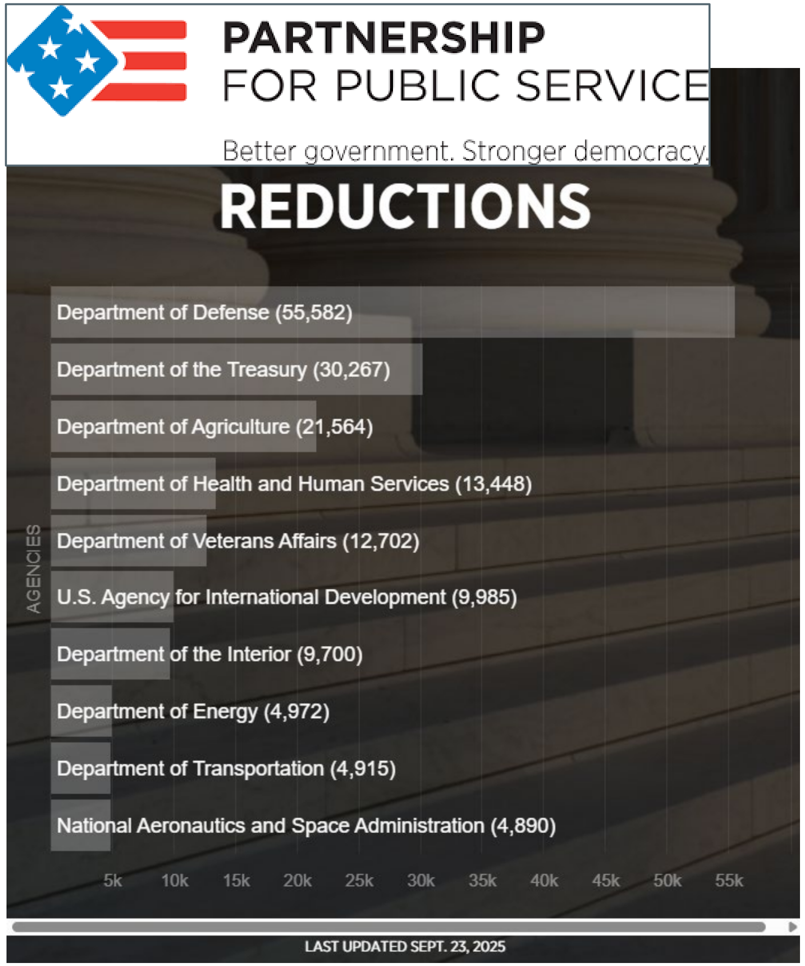
Analysis of American Community Survey 5-Year Estimates, 2023 data by COG Staff Note: Data for small geographies are based on a smaller sample size, data at this level has a higher margin of error.

Categories of Impacts to Federal Workers

- Probationary Employees
- Deferred Resignations, i.e. “Fork in the Road”
- Reduction in Force or RIFs
- Relocations out the region
- Contracted jobs and “multiplier effect”

Serious Headwinds: A Current Snapshot of Impacts

- According to the Partnership for Public Service, through firings, forced relocations and a "deferred resignation" program (DRP), **201,000 civil servants have left the workforce nationally.**
- **Data on jobs lost, deferred resignations, etc. is incomplete and not up to date.**
- BLS has been shutdown and the most recent data we have is thru August 2025. "Fork in the road" (first wave) exhausted benefits on September 30.



Partnership for Public Service, Federal Harms Tracker

Headquarters Relocations

- HUD is relocating its headquarters and 2,700 workers from downtown Washington, DC into Alexandria.
- USDA, with a workforce of about 4,600, is relocating up to 2,600 workers (and their families) OUT of the metropolitan Washington region (including Braddock Place).
- FBI is moving 1,500 employees (and their families) out of the region.
- Florida, Ohio, and Texas aggressively lobbying for NASA.

National Science Foundation HQ in Alexandria, VA / NSF

Logical Progression of Events Unfolding

Most Talented Workforce in Nation +

Largest Company firing/retiring tens/hundreds of thousands, providing instability throughout marketplace +

Competitors throughout the country trying to attract our talent +

High Cost of Living +

Transient Population +

=

Threat of Losing our Most Valuable Resource: Our People

Threat to Our Workforce, Economic Stability

WaPo/George Mason poll:

- More than 1 in 5 D.C.-area residents overall say they are seriously considering moving away in the next 12 months, according to the poll.

  (May 2025)

Decrease in GDP growth

- Virginia's GDP growth dropped sharply—from **6.2% in 2024 to just 1.7% in 2025**, falling in rank from **No. 6 to No. 34 nationally**.
- National average: 3.8%, North Carolina 3.7%, Tennessee 3.1%, South Carolina, 3.4%.
- **Projected 2025 growth of 0.6%** would be Virginia's **slowest pace since 2014** (excluding the pandemic).
- Moody's: 22 states in or on the verge of a recession- Virginia included

Rosslyn, Virginia (creative commons/Wikipedia)

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A Challenge: Matching Skills to Jobs

- At best, a 30% match of skills federal workers possess to those required in current openings - Terry L. Clower, director of George Mason University's Center for Regional Analysis

Rank	Occupation	Job Openings
1	Registered Nurses	6,558
2	Retail Salespersons	2,521
3	Computer Systems Engineers/Architects	2,104
4	Computer Programmers	1,652
5	Physical Therapists	1,415
6	Fast Food and Counter Workers	1,396
7	First-Line Supervisors of Food Preparation and Serving Workers	1,366
8	General and Operations Managers	1,295
9	Security Guards	1,274
10	Software Developers	1,259

Economic Conditions at the Local Level here in NoVA

Common Across all Jurisdictions:

1. Federal Job Cuts, Federal Shutdown
2. All have higher unemployment rates— a point or higher, than a year ago
3. SNAP Benefits, Urban Area Security Initiative (UASI) funding- what will localities be expected to do?
4. Office vacancy- class B and C, class A
5. Prince William and Loudoun Counties: Data Centers

Economic Conditions at the Local Level here in NoVA

Arlington County:

- **FY 2027 revenue:** Expected to be very close to FY 2026 levels, while inflation is rising **2–3%** and operating costs are increasing around **5%**, creating a structural imbalance.

- **Hotel occupancy:** Trending close to **2022 levels**, with **two of the first three months** showing **double-digit declines** in transient tax revenue.

- **Federal funding risks:** Limited loss so far, but the County is litigating the loss of **several million dollars** in school meal funding, and other federal benefits are considered at risk.

- **Office assessments:** Another **double-digit drop** is anticipated; office vacancy is over **23%**, and despite adaptive reuse efforts, the declining office market continues to cut into a tax base that makes up **nearly half** of real estate revenue.

Economic Conditions at the Local Level here in NoVA

Prince William County

- **Revenue outlook:** Local revenue is still rising due to data center growth and limited exposure to office market declines affecting other localities.
- **Budget guidance:** Agencies may submit **no more than five** budget requests, and the total of those requests cannot exceed **5%** of their **FY 2026** adopted budget.
- **Collective bargaining impacts:** A wage re-opener for **Fire & Rescue** and **Police** bargaining units will significantly affect the **FY 2027** budget.

Economic Conditions at the Local Level here in NoVA

City of Alexandria

Current Conditions

- Federal uncertainty and tariffs are raising construction costs, delaying projects, and resulting in slow or flat revenue growth while local government costs rise.
- Consumer spending is down 4.5% from last month.
- Nearly 100 federal employees are now on payment plans for local taxes, far higher than usual.

Top of mind on Budgets

- Rising costs and limited revenue growth point to a budget with significant cuts.
- The state underfunds mandated positions, requiring the City to subsidize state/constitutional offices by **over $30 million per year**.
- The City has cut **over $30 million** from operating budgets in the past **3 years** due to inflation and loss of federal grants, making service delivery increasingly difficult.

Economic Conditions at the Local Level here in NoVA

Fairfax County

- **Revenue vs. costs:** Revenue is growing **3–4%** annually, but mandated services, schools, workforce, and public safety costs are rising **5–6%**, creating a structural imbalance.

- **Commercial market weakness:** Federal downsizing, contractor cuts, and telework are driving higher office vacancies and weakening non-residential tax revenue, shifting more of the tax burden onto homeowners. ***State Funding Uncertainty (K–12, Transportation, Medicaid)***
-

  State funding uncertainty: Changes under the new administration are creating major uncertainty in **K–12 funding**, **WMATA**, and **Medicaid/HHS mandates**, making long-term budget planning difficult.

- **Housing and workforce:** Rising housing costs and limited middle-income options are hurting retention and recruitment of essential workers and affecting regional competitiveness.

Economic Conditions at the Local Level here in NoVA

Loudoun County

- **Unemployment & data gaps:** Unemployment rose about **1%** over the past year, to **3.6%**, but may understate impacts from federal job and spending cuts. Federal data gaps from the government shutdown make current economic conditions hard to assess.
- **Federal buyouts:** Some federal employees placed on leave due to **buyouts and other reductions in force** are not reflected in available data.
- **Office market:** Facing challenges but also potential opportunities.
- **Data centers:** Present both benefits and challenges for the local economy.

Economic Conditions at the Local Level here in NoVA

Economic Developer Insights:

Issue 1: **Job openings decline:** Job openings in NoVa fell **41%**, from **92,532** in October 2024 to **54,251** in October 2025 (**38,000+ fewer positions**). Employment also dropped by **20,412** from January to August 2025, making it harder for college graduates and displaced workers to find jobs.

Issue 2: **Aging office inventory:** Over **136 million sq. ft. (63%)** of NoVa office space was built before 2000, and **66 million sq. ft. (30%)** before 1985, reaching obsolescence and large vacancies. This has lowered property values and reduced spending that supports retail and hotels.

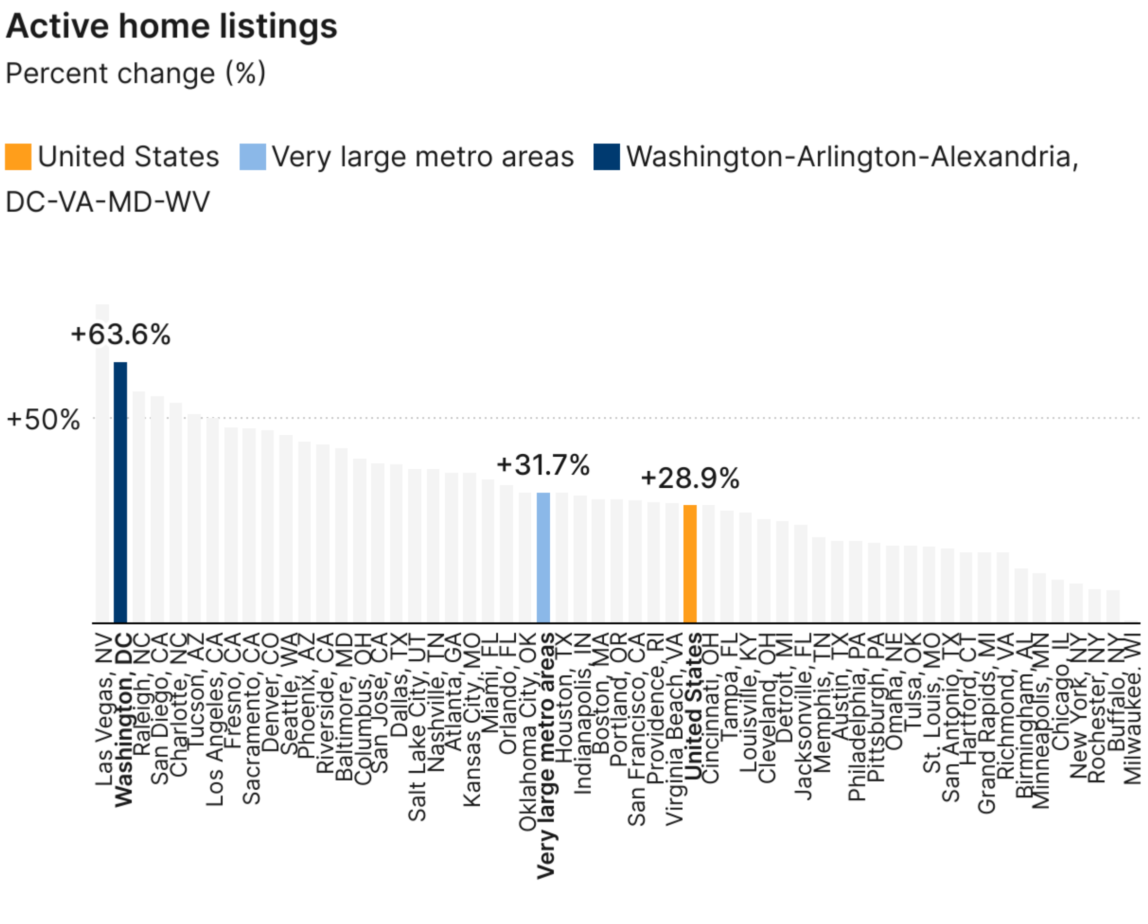
Issue 3: **Negative domestic migration:** From 2013–2024, Northern Virginia lost about **240,000 residents** to other U.S. states, in contrast to growth in competitor markets like Austin, Nashville, and the Research Triangle.

DMV Monitor

Tracking the economic and social effects of federal restructuring and other policies.

brookings.org/dmvmonitor

- The region's unemployment rate has increased at a significantly higher pace than the nation's.
- The number of homes for sale in the region is up by 64% year over year.
- Internship openings in the region have decreased by 36%, a rate more than double the national average decline.
- Venture capital flows into the region have slowed dramatically since Jan 2025.



Source: Realtor.com Economic Research

Brookings Metro

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Talent Capital: Regional Workforce Collaboration

First-of-its-kind, AI-powered platform offering free job matching, career training, reskilling, certifications, and coaching.

talentcapital.ai

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DOES District of Columbia Department of Employment Services
DME Office of the Deputy Mayor for Education
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Virginia Works
Gaithersburg-Germantown Chamber of Commerce, Inc.
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Nation Skills
Loudoun Virginia Economic Development
Consortium of Universities of the Washington Metropolitan Area
Mobilize Montgomery — Supporting the Federal Workforce in Montgomery County, MD
Capital Workforce Innovation Consortium
Virginia Has Jobs

Data Centers: Opportunities and Challenges

- Nationally, the primary driver of U.S. GDP growth in the first half of 2025
  - Without these investments, growth would have been only 0.1%
  - Data center investment accounted for 92% of U.S. GDP growth in the first half of 2025, despite making up only about 4% of the economy
- $895 million in tax revenue for Loudoun County.
  - Digital infrastructure has been the biggest driver for the growth of the commercial tax base over the past two decades, increasing the commercial share of tax revenue from 19% in 2007 to approximately 51% in 2025.
- $294 million in tax revenue for Prince William County

Data center (screen capture/VPN)

- Overall, the data center industry is estimated to contribute 74,000 jobs, $5.5 billion in labor income, and $9.1 billion in GDP to Virginia’s economy annually.

Data Centers: Opportunities and Challenges

- Data centers are spiking electricity costs in Maryland. It's the 'tip of the iceberg,' one expert warns (CNN, November 14, 2025)
- PJM Pursues Rule Change to Meet Data Center Surge (Inside Climate News, October 2025)
- The lack of available land zoned for data centers, power grid constraints and a stricter regulatory environment have slowed data center growth significantly. Data center companies with building permits are being told that it may take up to seven years or more before their data center will be served with power.
- Regulatory uncertainty at the local and state levels, including potential changes to the data center sales and use tax exemption and regulations that could inhibit the ability of the industry to retrofit and modernize their operations, may negatively impact the personal property equipment refresh cycle, which may reduce the personal property tax revenue generated from data centers.

Data Centers: Opportunities and Challenges

The District's Come Back Plan and D.C. Growth Agenda, Virginia's Strategic Plan, and Maryland's Winning the Decade Plan all prioritize:

- Cybersecurity
- Artificial Intelligence
- Fintech (Financial Technology)
- Cloud Computing
- Quantum Computing

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