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Potential federal government cutbacks cloud the outlook for DC's economy and revenues

Jobs, income, private sector activities, and DC revenues are all heavily influenced by the extensive federal presence

The Budget Control Act of 2011 requires a \$1.2 trillion reduction in the federal deficit projected for the years FY 2013 to FY 2021. While much is not known about the actions that will be taken, in the absence of an agreement on revenue and expenditure changes, the Act mandates annual cuts in defense and non-defense discretionary spending to reach the reduction goal.

Because of the large impact that the presence of the federal government has on the District's economy and DC revenues, the potential for major cuts in government spending is likely to be a source of considerable uncertainty for the next several years. In FY 2010, the federal government spent \$64.5 billion in the District of Columbia, including \$23.0 billion in wages, \$21.2 billion in procurement, \$10.9 billion in grants, and \$2.7 billion in loans and loan guarantees. (See table on p. 2.)

The following table summarizes several aspects of the federal government's impact on the District of Columbia, some or all of which might be affected by deficit reduction efforts. Details on each of these items are shown in tables on p. 2. (cont'd on p. 2)

Federal government's percent share of DC's economy and DC government finances in 2010

Federal jobs (including military) as percent of all wage and salary jobs in DC	30.7
Federal wages and salaries as percent of all wages and salaries earned in DC	36.9
Federal benefits as percent of all employer financed benefits for DC workers	61.7
Percent of employed DC residents who work for the federal government*	22.9
Percent of all wages and salaries earned by DC residents derived from federal employment*	27.6
Federal procurement spending in DC as percent of sales by DC private sector firms*	14.2
Square feet of office space leased by the federal government in DC as percent of all leased commercial office space in DC*	19.8
Percentage of DC government operating expenses financed by federal grants and payments	30.7

*estimated by the DC Office of Revenue Analysis. Sources: See tables on p. 17.

Note: Direct impacts only; excludes secondary or "multiplier" effects. Leased space is 2011.

This briefing document was prepared by Stephen Swaim, DC Office of Revenue Analysis.

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Federal government presence in DC, continued from p.1

Federal government wage and salary employment in DC: 2010	
Federal government	
<i>Civilian</i>	208,842
<i>Military</i>	19,756
subtotal, all federal	228,598
Total employment in DC	744,729
Federal % of total	30.7%

Source: US Bureau of Economic Analysis

Federal government wages and salaries earned in DC: 2010 (\$ billion)	
Federal government	
<i>Civilian</i>	20.21
<i>Military</i>	1.33
subtotal, all federal	21.54
Total wages and salaries earned in DC	58.43
Federal % of total	36.9%

Source: US Bureau of Economic Analysis. The average wage per employee is \$94,214 (\$21.54B divided by 228,598 employees).

Supplements to federal government wages and salaries earned in DC: 2010 (\$ billion)	
Federal supplements	
<i>Civilian</i>	9.62
<i>Military</i>	1.04
subtotal, all federal	10.66
All employer financed supplements earned in DC	17.26
Federal % of total	61.7%

Source: US Bureau of Economic Affairs. Supplements are employer contributions for pensions, for health and other insurance, and for government social insurance.

Estimated federal employment of DC residents: 2010	
Residents employed by government	82,584
Less: estimated residents employed by local government	14,197
Residents employed by the federal government	68,387
Total employed residents	299,127
Federal % of total	22.9%

Source: (1) Total resident employment and government employment are from the 2010 American Community Survey for DC. (2) Local government employment is estimated at 40% of the 35,492 local government jobs in DC estimated by the US Bureau of Labor Statistics for 2010.

Estimated federal wages earned by DC residents: 2010	
Estimated DC residents working for the federal government	68,387
Estimated average wage earned by DC residents working for the federal government	\$89,503
Total federal wages earned by DC residents	\$6,120,840,017
Estimated total wages earned by DC residents in 2010	\$22,147,396,051
Federal % of total	27.6%

Source: (1) DC residents working for the federal government is calculated in a companion table. (2) Wages per employee is estimated at 95% of the average wage of \$94,214 earned by all federal employees working in DC.

Federally financed DC operating expenditures: FY 2010 (\$ million)	
Federal sources	
<i>Federal grants</i>	2,436.8
<i>Specially appropriated federal payments and contributions to DC</i>	151.2
subtotal, all federal	2,588.0
Total DC operating expenditures	8,441.8
Federal % of total	30.7%

Source: FY 2012 DC Proposed Budget and Financial Plan, tables 5A-3, 5A-5, and 5A-6. Total operating expenditures are gross funds, but exclude enterprise and other non-general funds and intra-District funds.

Estimate of federal procurement in relation to total sales by DC private sector firms: 2010 (\$ billion)	
Federal procurement outlays in DC	\$21.25
Estimated sales to all customers by DC's private sector	\$149.39
Federal % of total	14.2%

Source: (1) Federal procurement: US Census Bureau Consolidated Federal Funds Report; (2) Private sector sales: estimated from the REMI model standard regional control for the District of Columbia.

Federal Government spending in DC: FY 2007 to FY 2010 (\$ billion)				
category	2007	2008	2009	2010
Wages and salaries	17.74	19.03	22.29	23.03
Retirement and disability	2.31	2.27	2.85	2.79
Procurement	14.72	16.54	20.41	21.25
Grants	5.88	6.16	12.02	10.87
Other	3.07	3.46	5.26	4.30
subtotal, direct expenditures	43.73	47.46	62.82	62.24
Loans and loan guarantees	1.37	0.95	3.12	2.67
Total	45.09	48.41	65.94	64.91

Source: US Census Bureau, Consolidated Federal Funds Report, 2010.

Note: Amounts shown in this table may differ from BEA data on federal earnings.

Federal government leased space in DC: 2011 (million sq. ft.)	
Federal government leased space in DC: 2011 (million sq. ft.)	23.43
All leased space in commercial office buildings	133.02
Federal % of total	19.8%

Sources: (1) federal leased space: US Census Bureau, Consolidated Federal Funds Report, 2010 (2) Leased space: CoStar. Leased space is in Class A,B, and C buildings of at least 50,000 square ft of rentable space.

—Stephen Swaim, ORA