

May 9, 2025

Federal workforce and contract spending reductions in Virginia



Weldon Cooper Center
for Public Service

Presenting to: Virginia First Cities

Presenter: Dr. Eric Scorsone, Executive Director

Dr. Eric Scorson

Executive Director, Weldon
Cooper Center



- **30 Years of Experience in Public Service**
- **Past Work at Michigan State University**
 - Founding Director—MSU Extension Center, Local Government Finance & Policy
 - Director—MSU Extension Institute of Public Unities
 - Deputy State Treasurer—Michigan Department of Treasury
 - Chief Economist—Michigan Senate Fiscal Agency
 - Senior Advisor—Flint Water Crisis

Weldon Cooper: An Overview

- One of the oldest and largest university-based public service organizations
- Known for...
 - Rigorous training programs
 - Nationally recognized applied research
 - Non-partisan, reliable, and timely services
- Serves policymakers, elected officials, governments, community leaders, and university constituents, primarily in Virginia

Overview

- Federal workforce in Virginia
- Federal contracting in Virginia
- Economic impact of federal workforce reductions

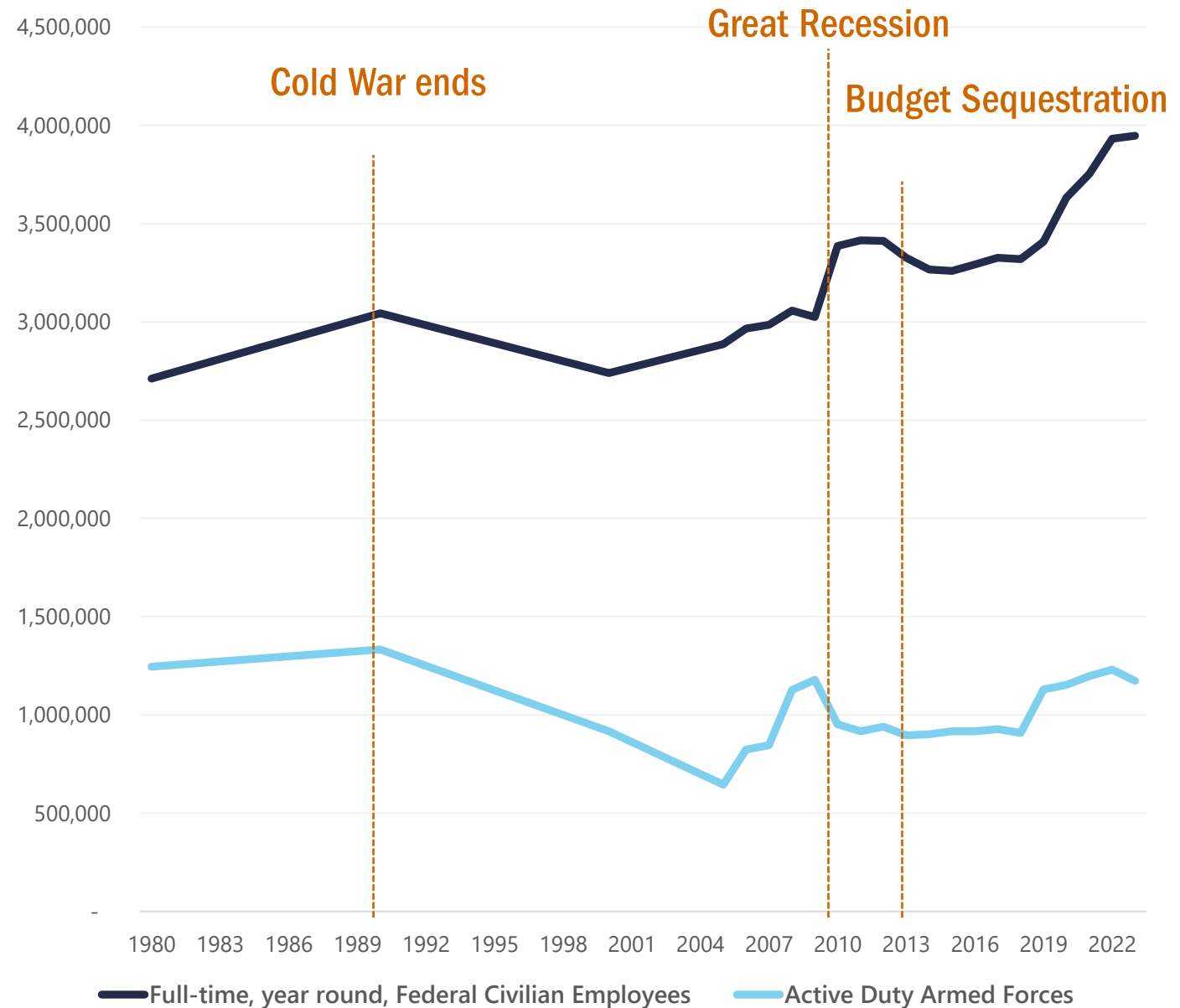
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Federal Workforce in Virginia

Section One

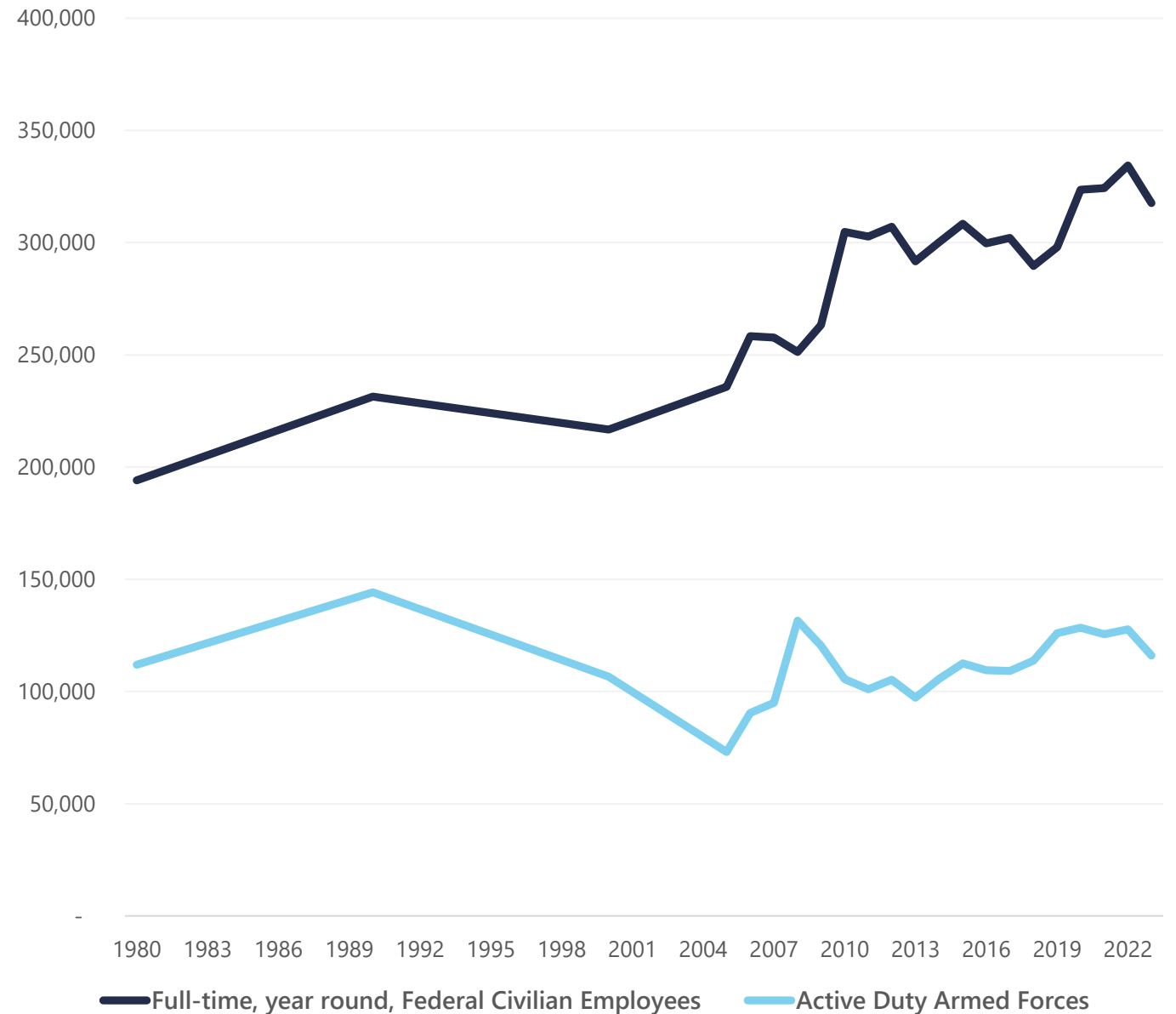
Federal full-time civilian employment has risen nationally and...

- has fluctuated but trended upward overall
- tends to grow during periods of national disruption
- has grown rapidly since the late 2010s



Federal full-time civilian employment has also risen in Virginia

- **321,516** federal civilian employees in VA
- Growth slower than nationally
- Stalled during 2010s
- Greater growth to VA's south and west: WV, NC, TN



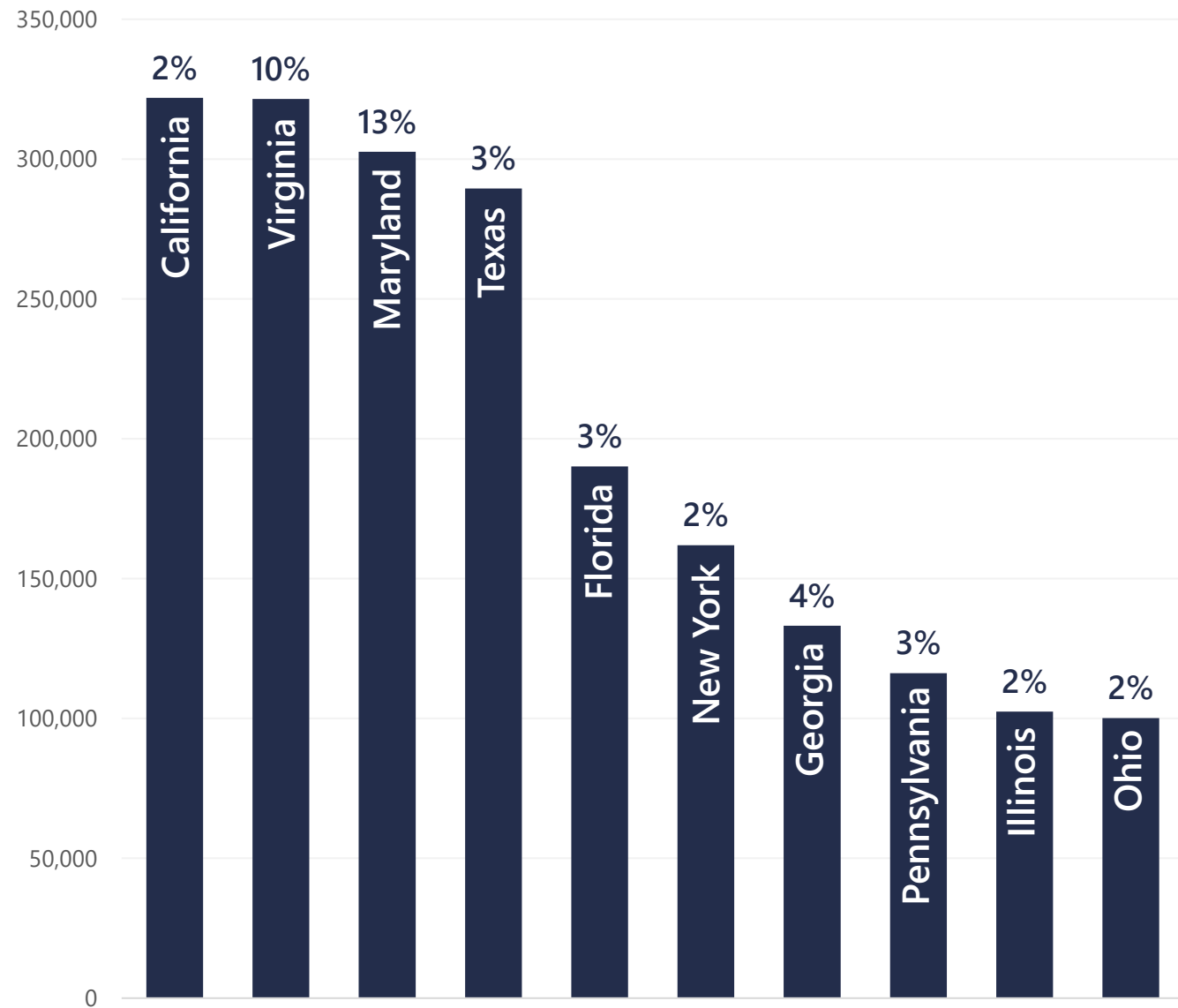
Where do the civilian numbers come from?

The American Community Survey offers the clearest picture

Data Source	Reporting Year	Key Metrics
American Community Survey Table S2409	2023	Provides data on full-time, year-round federal civilian employees residing in Virginia
American Community Survey Table B08128	2023	Provides data on all federal civilian employees and active-duty military residing in Virginia
Department of Defense (DoD)	2024	Provides data on active-duty military and civilian DoD employees working in Virginia
Bureau of Labor Statistics Quarterly Census of Employment and Wages	2023	Provides data on federal civilian jobs in Virginia
Office of Personnel Management	2024	Provides data on many but not all federal civilian jobs based within Virginia

Virginia has more federal workers than nearly every other state

- Almost tied with California
- Only Maryland has higher percentage of residents in federal employment

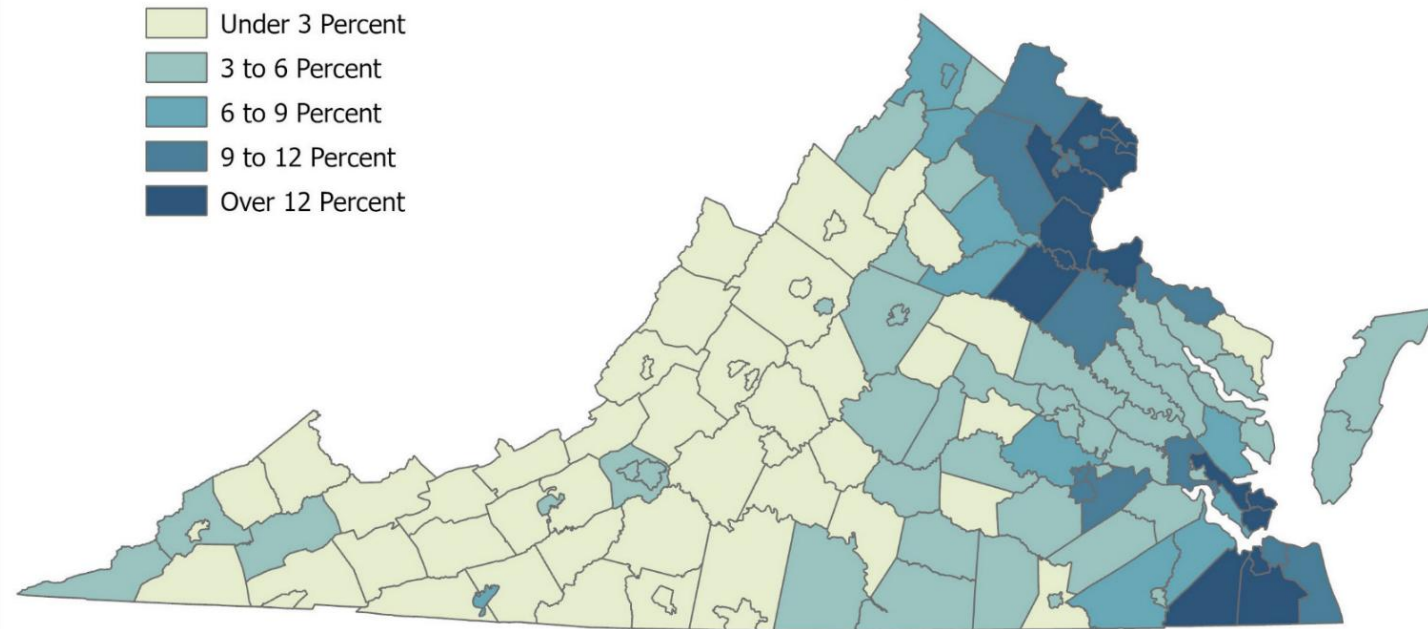


In most Virginia localities

Share of workforce in federal employment exceeds national average

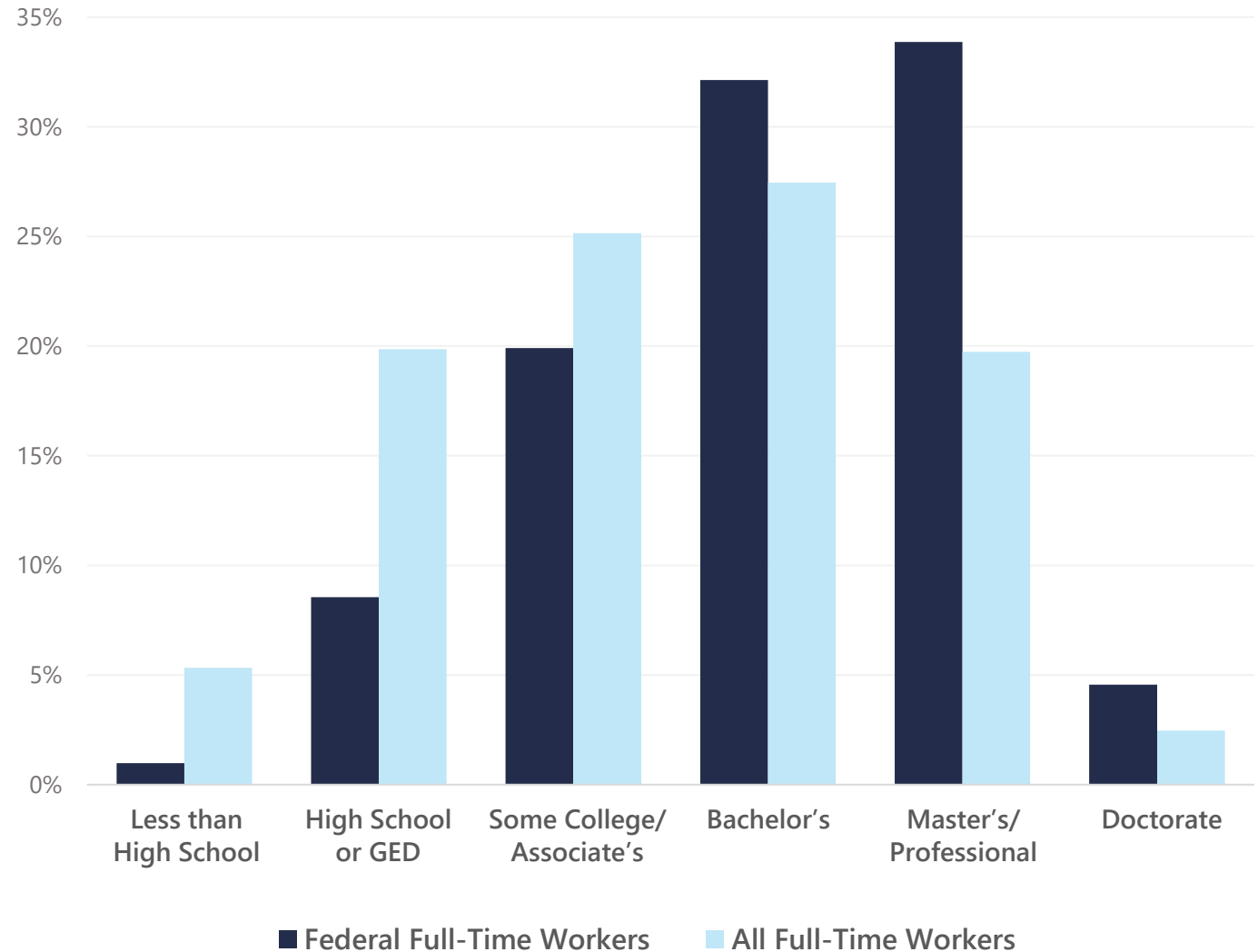
- Over 50% live in the Northern Virginia PDC
- 20% live in Hampton Roads PDC

Share of Full-Time Civilian Workers Employed by the Federal Government



Virginia's federal workforce is distinct

- nearly twice as likely to hold a graduate degree
(compared to other VA workers)
- earn nearly 2x more than private sector employees
- are more likely to work in high-paying fields
(compared to peers nationally)



Educational Attainment of Full-Time Workers in Virginia (2023)

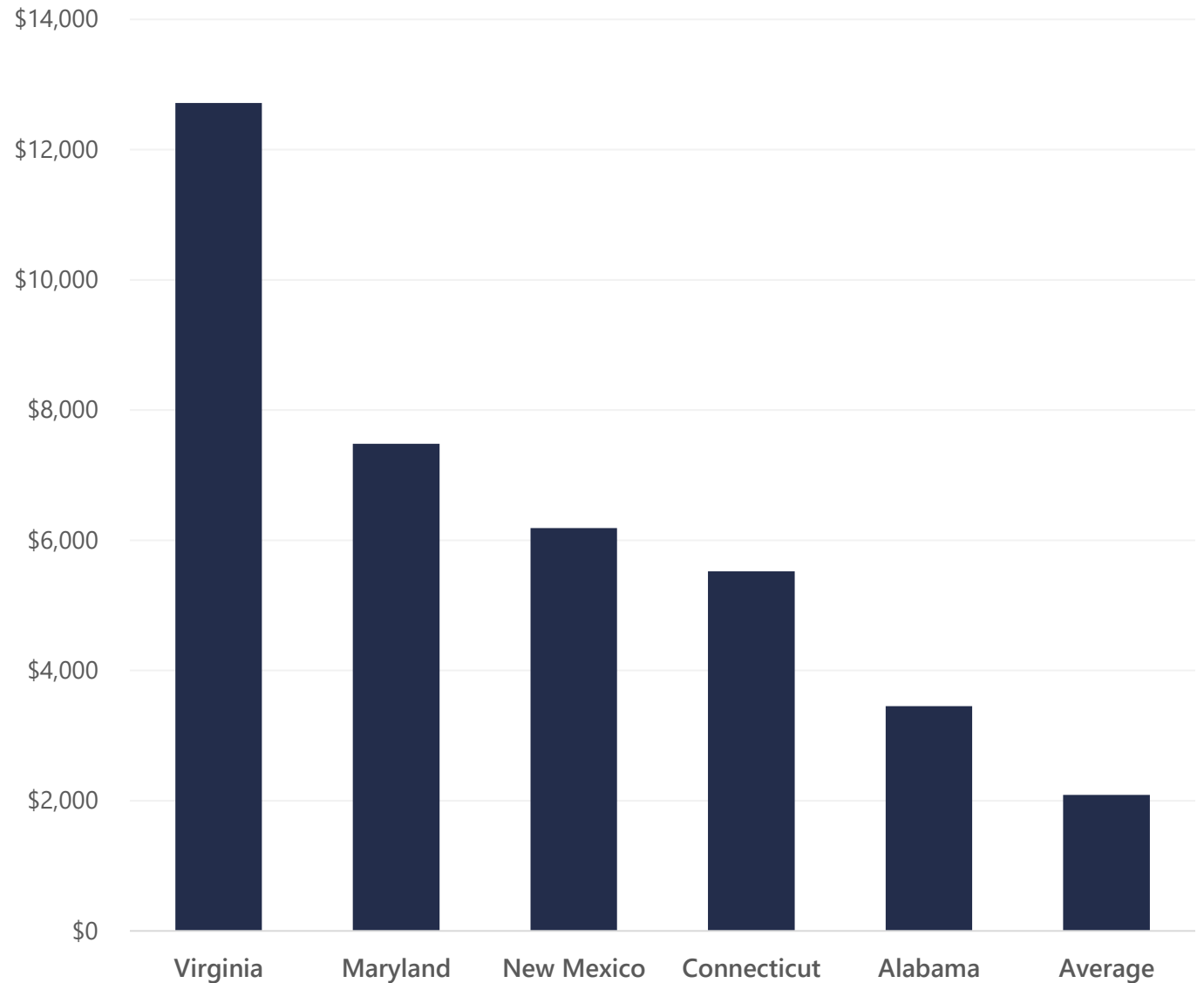
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Federal Contracts in Virginia

Section Two

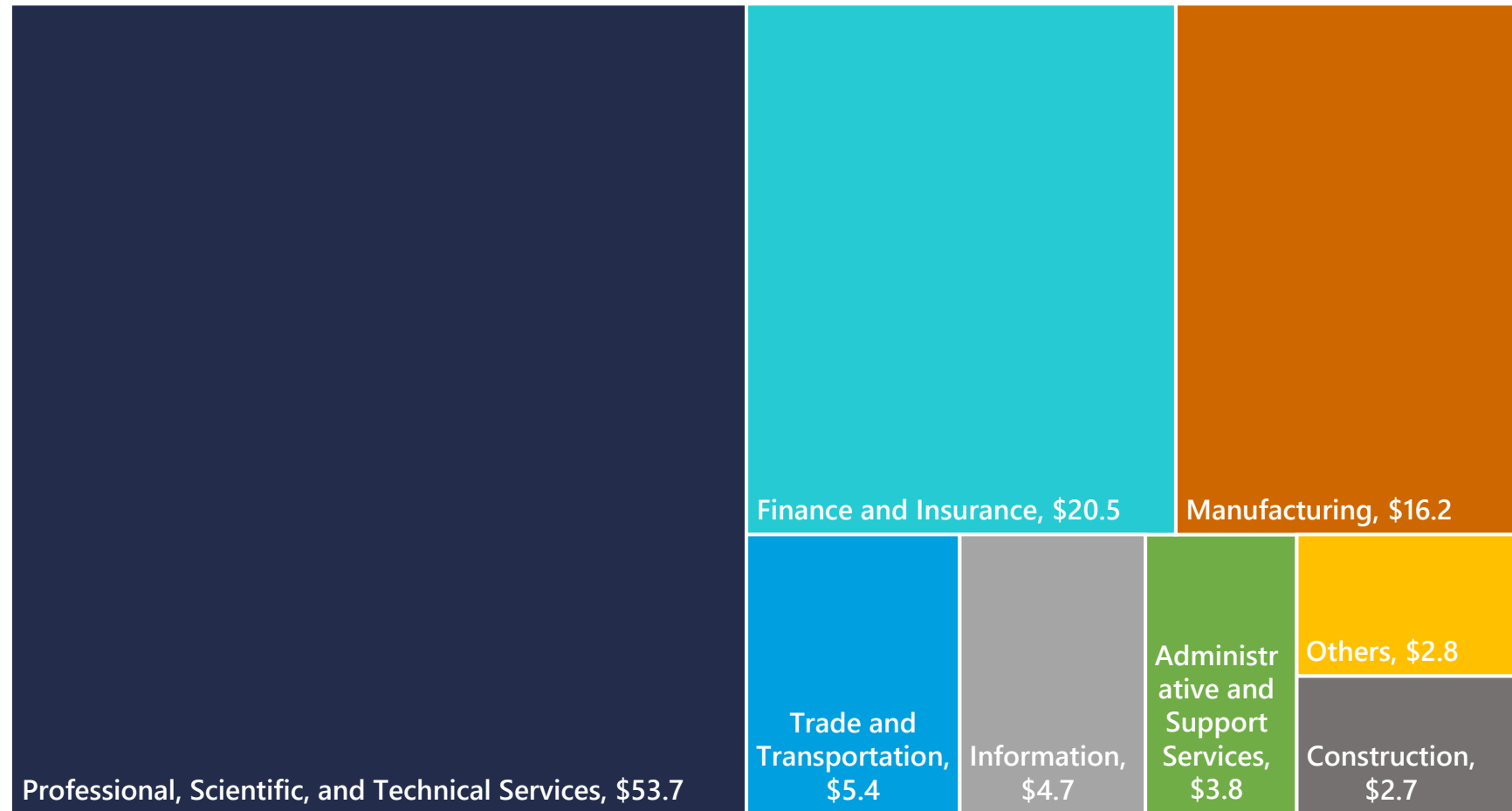
With \$109B in federal contracts, Virginia ranks 1st in the U.S.

- VA's federal contracts worth \$12K per resident
- \$1 in every \$7 of federal contracting money spent in VA



Federal contracts per resident (2023), without D.C.

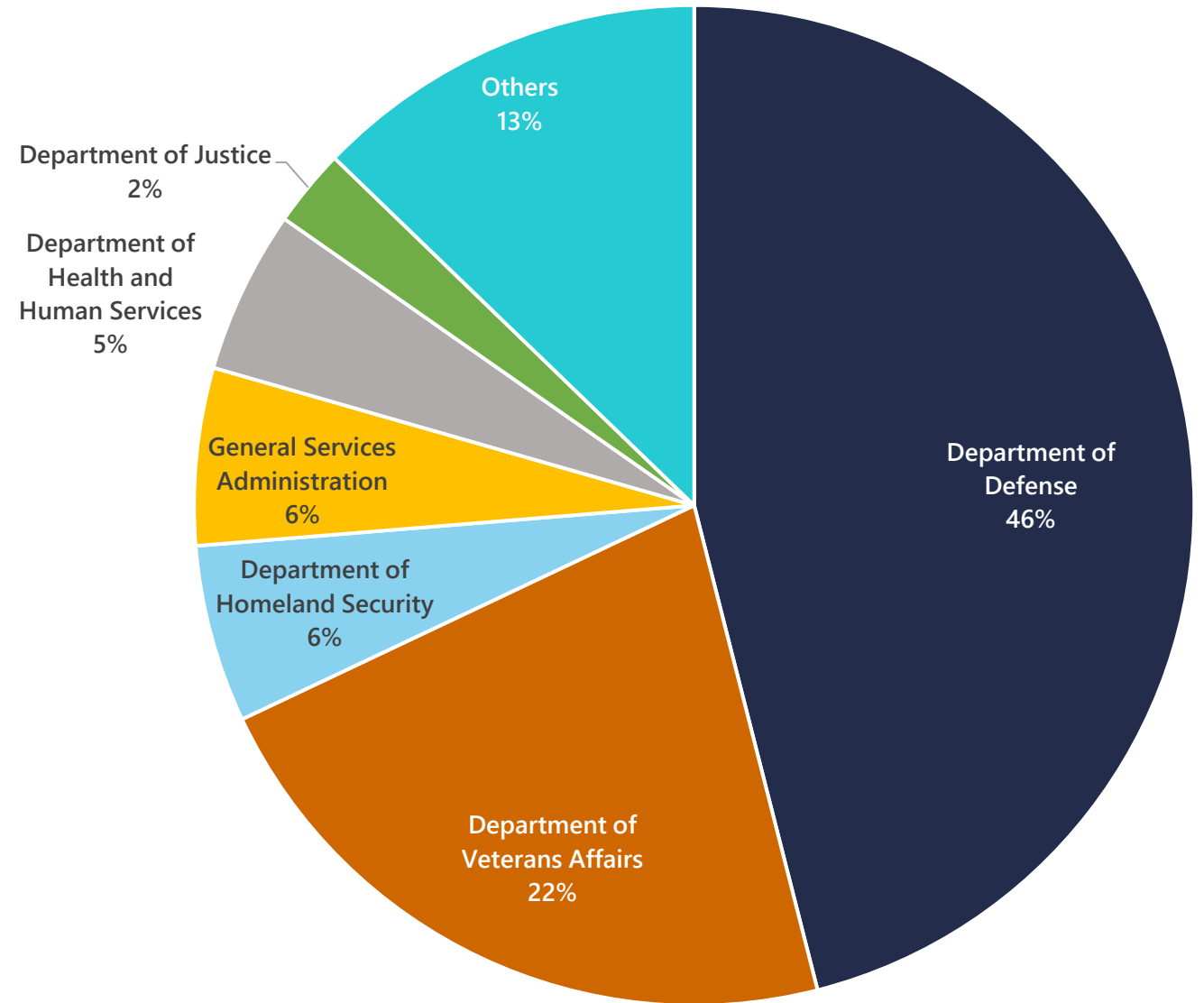
\$109B split by industries



Dollars spent by industries (billions)

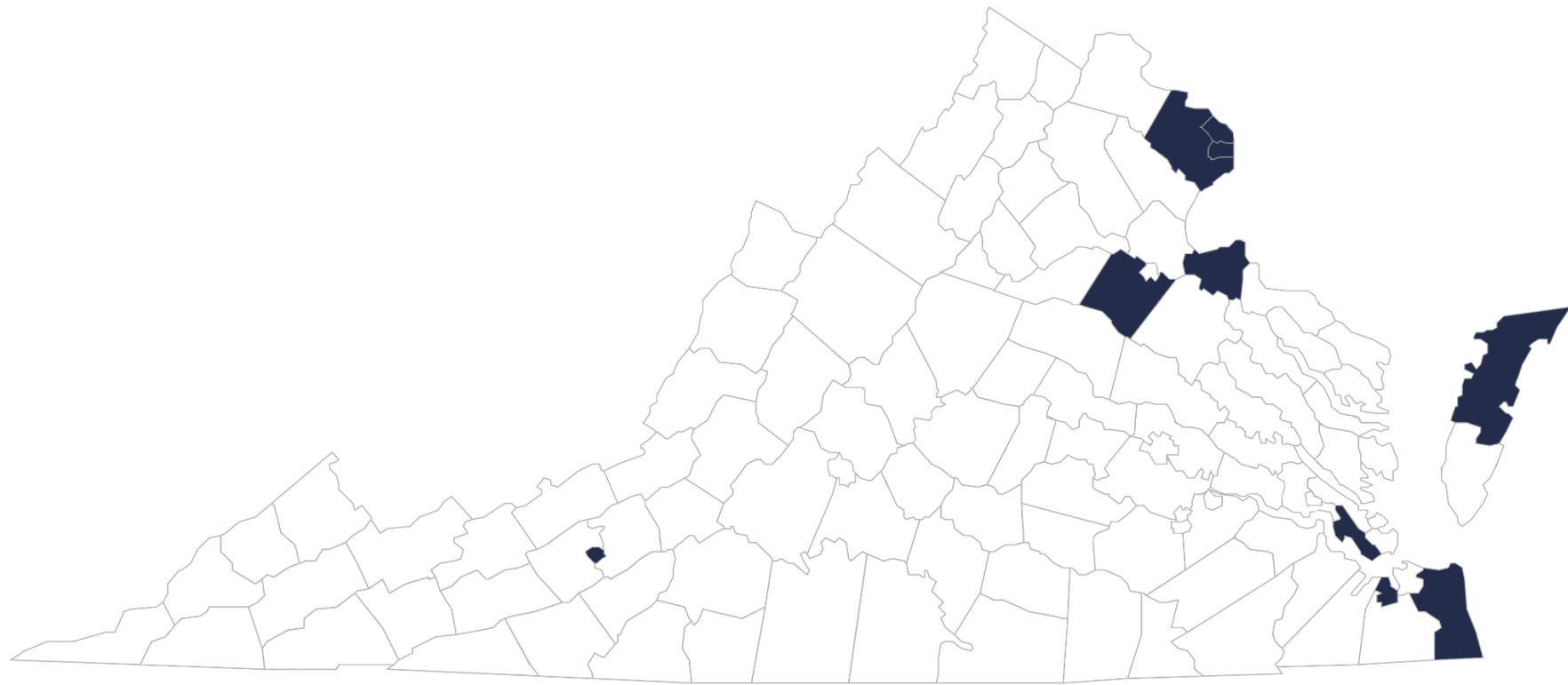
\$109B split by contracting agencies

\$2 in every \$3 of federal contracts in VA are spent by Department of Defense or Veterans Affairs



Top 10 localities

by per-resident-spending



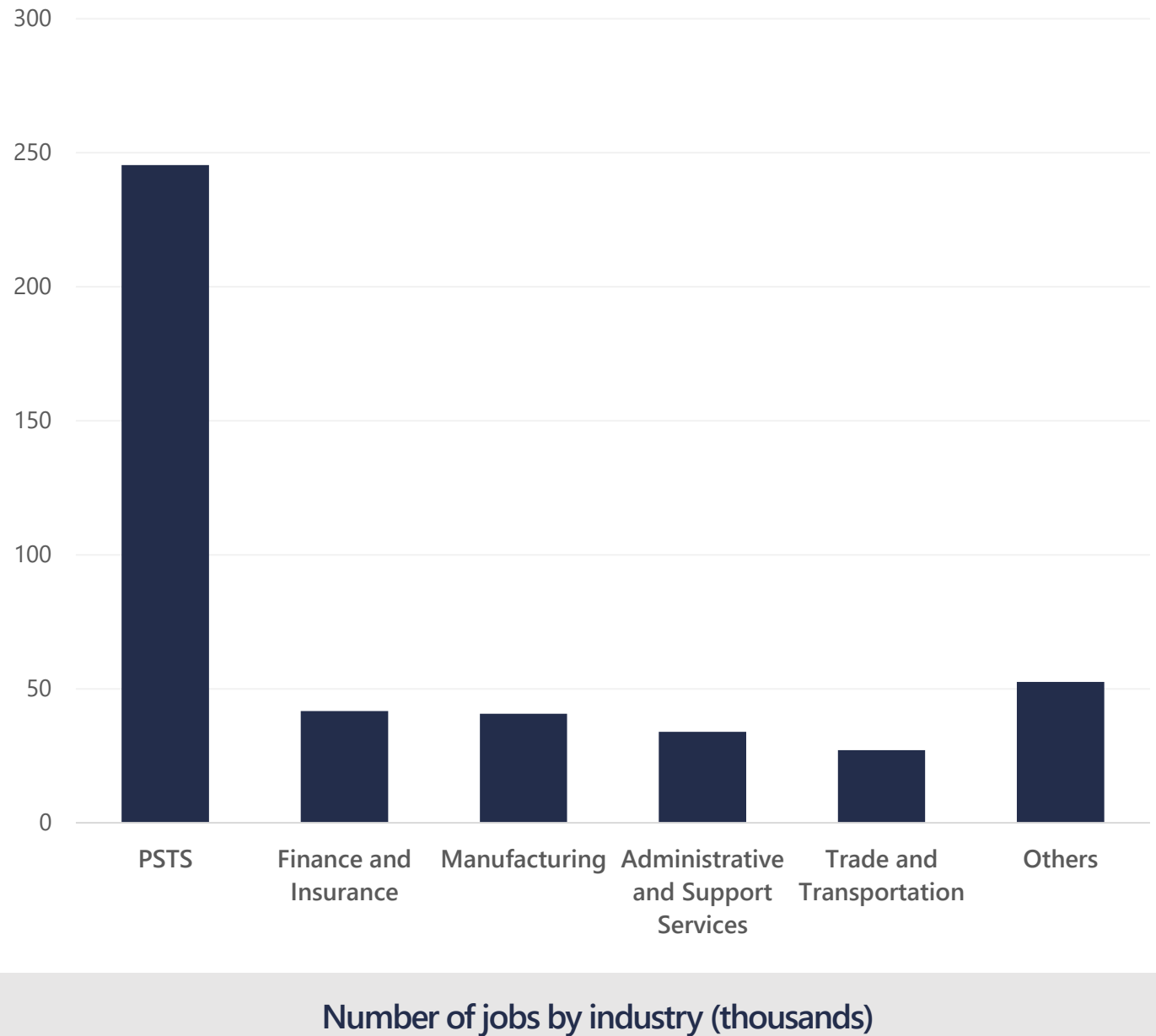
- 62% of federal contract dollars are spent in NoVA
- 16% are spent in Hampton Roads

1. Spotsylvania County
2. Radford City
3. Arlington County
4. Fairfax County
5. Alexandria City

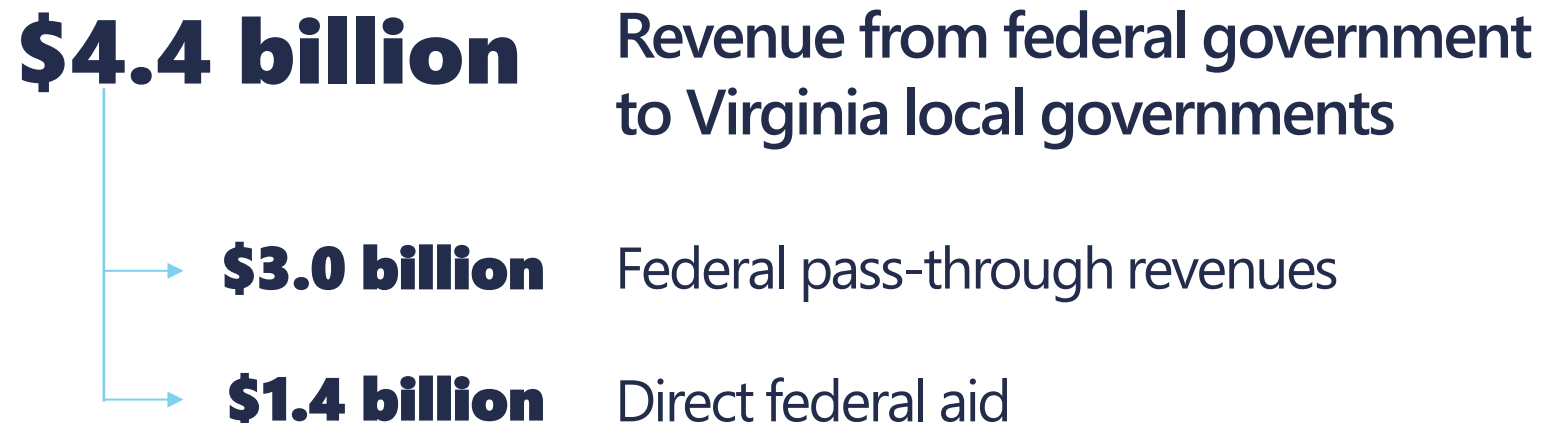
6. Newport News City
7. King George County
8. Accomack County
9. Portsmouth City
10. Virginia Beach City

\$109B corresponds to 441,488 jobs directly dependent on federal contracting

- These jobs are sprawled across different industries
- But 55% are concentrated in Professional, Scientific and Technical Services (PSTS)



Local government and federal spending (FY 2023)



10% of all local government revenues

35,000 jobs as a result of federal spending

Total Numbers

Federal jobs share in Virginia



Federal Civilians

321,516 _{FT}
(+26,443 _{PT})



Armed Forces

130,751



Federal Contracting

441,488



Of all full- and part- time jobs in Virginia

16.1%

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Economic Impact of Federal Workforce Reductions

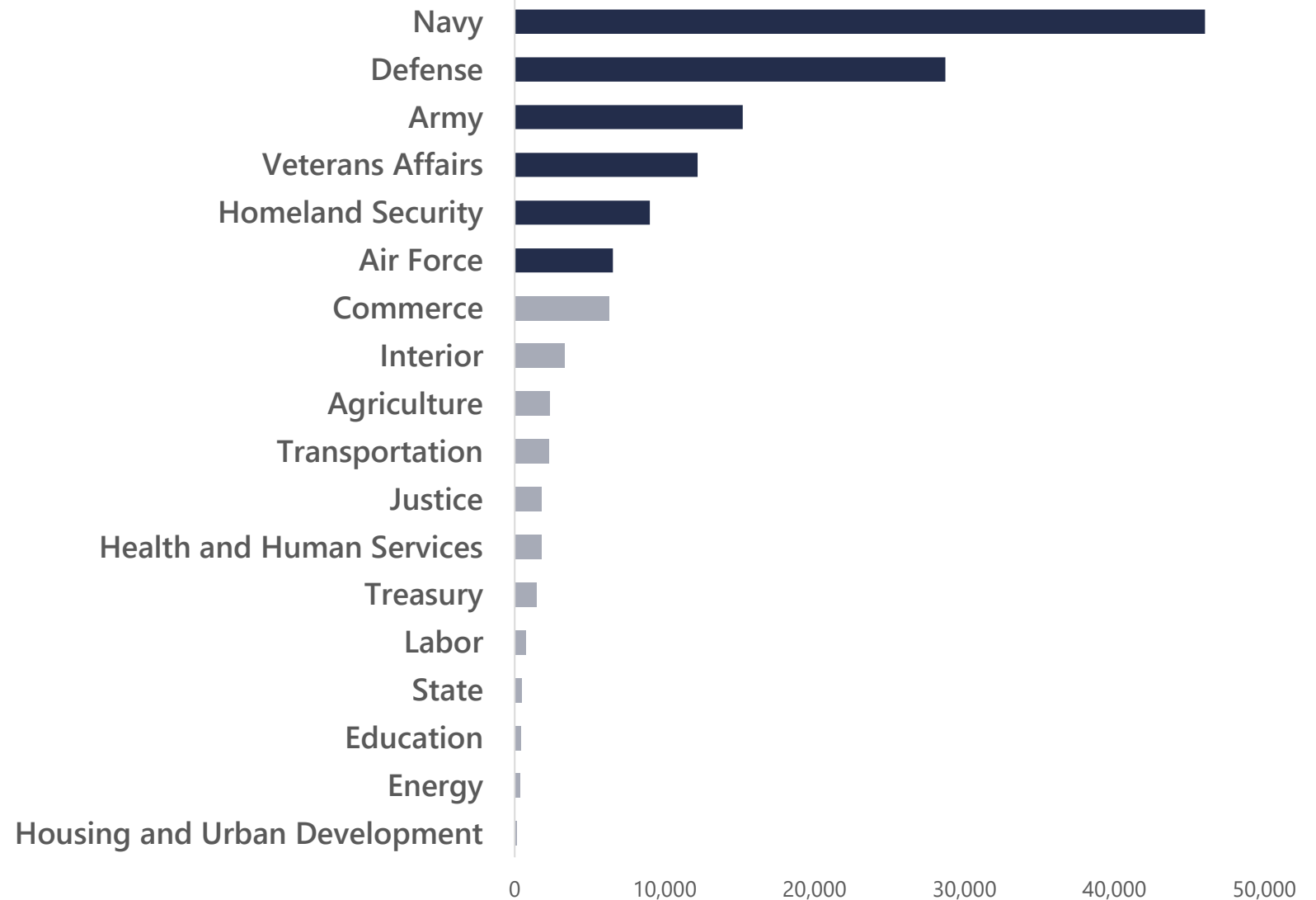
Section Three

Workforce reductions in U.S.

Dept/Agency	Reduction in Force #
Veterans Affairs	80,000
Department of Defense	61,000
Internal Revenue Service	45,000
Health and Human Services	20,000
Environmental Protection Agency	11,000
Commerce Department	10,000
Social Security Admin	7,000
USAID	2,000
Education Department	1,950
Other	1,655
Total	239,605

Civilian federal
employees

Are heavily concentrated in agencies related to national security



Civilian Federal Employees in Virginia (by Department)

Economic impact of Reductions in Force (CY2025)

Source of Impact	1% Reduction	5% Reduction	10% Reduction
Federal, Civilian Employment Reduction			
Federal Civilian Job Loss	-1,800	-9,000	-18,000
Total VA Employment Job Loss	-3,918	-19,589	-39,178
Federal, Armed Forces Employment Reduction			
Federal Armed Forces Job Loss	-1,261	-6,305	-12,610
Total VA Employment Job Loss	-3,529	-17,643	-35,285

Loss of state GDP

Source of Impact	1% Reduction	5% Reduction	10% Reduction
Federal, Civilian Employment Reduction			
Total State GDP Loss (billions)	-\$0.611	-\$3.056	-\$6.111
Federal, Armed Forces Employment Reduction			
Total State GDP Loss (billions)	-\$0.738	-\$3.691	-\$7.382

Economic impact scenario – DoD

Source of Impact	8% Reduction in DoD Civilian	8% Reduction in DoD Civilian + Armed Forces
Federal Job Loss	-8,156	-17,891
Total VA Employment Job Loss	-17,753	-44,944
Total State GDP Loss (billions)	-\$2.77	-\$8.47

Takeaways

- 1** Virginia has more federal workers than nearly every other state
- 2** Virginia's federal workforce is highly educated and concentrated in national security
- 3** Federal jobs and contracting equal 16.1% of all full- and part-time jobs in Virginia:
 - **321,516** federal full-time civilian jobs
 - **130,751** Armed Forces
 - **441,488** Virginian jobs directly depend on federal contracting

Looking ahead – Virginia’s Economic Forecast

Virginia Forecast

Growth without jobs?

Employment drops as GDP holds below national level

Virginia’s GDP will lag behind the United States’ in 2025

After underperforming in late 2024, Virginia’s economy is expected to post modest GDP growth of 0.4% in 2025, but still below the national rate. This lagging performance in 2025 will be largely driven by shifting federal policies that influence the Commonwealth more directly than most states, given Virginia’s deep economic ties to the federal government. Looking ahead, Virginia’s economy is projected to slightly recover in 2026, with real GDP growth reaching 2.1%, although this forecast remains highly sensitive to evolving national and global conditions.

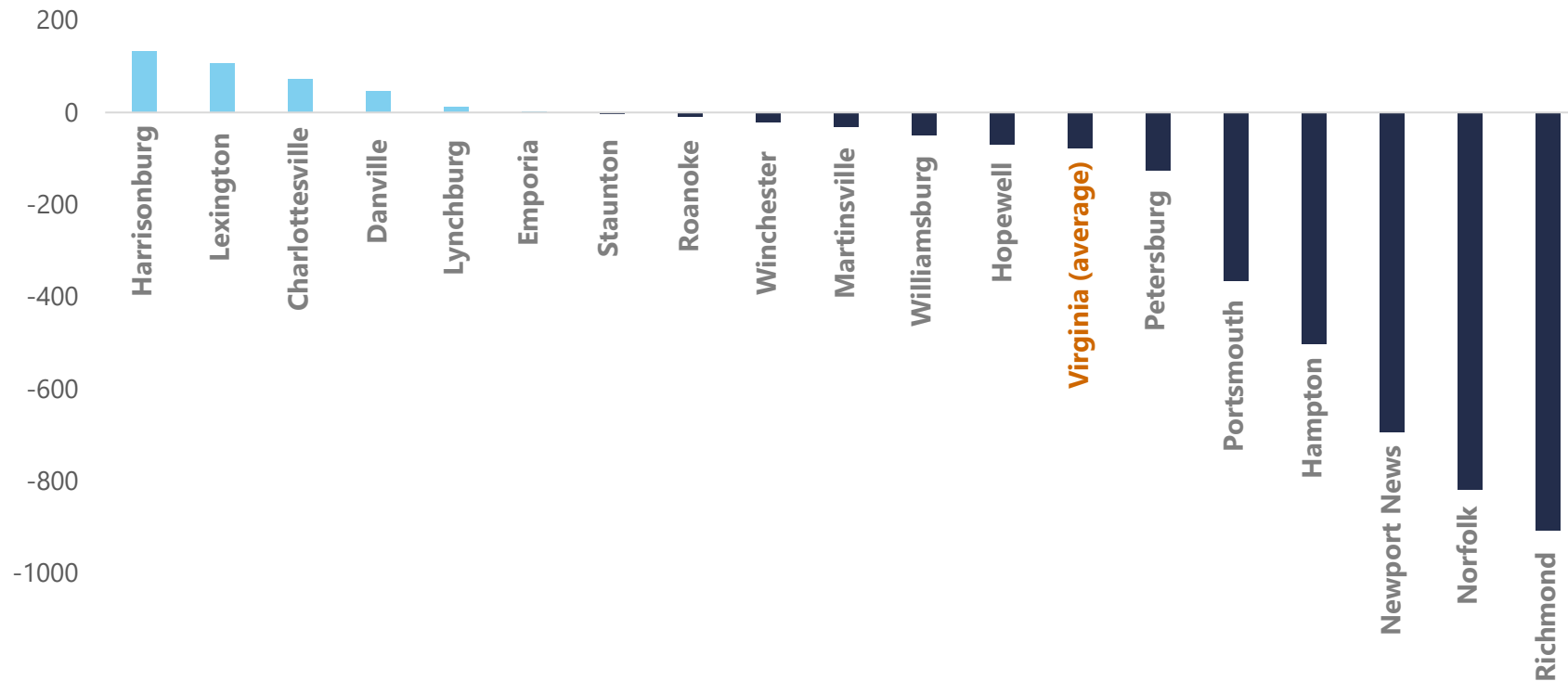


Table 2—Virginia economic forecast: Annual percentage change

Annual Percentage Change*	2023	2024	2025	2026	2024-2034 (average)	2034-2050 (average)
Employment	1.8%	1.7%	-0.8%	0.4%	0.4%	0.4%
Real GDP	2.4%	1.9%	0.4%	2.1%	2.1%	2.6%

- The forecast is our commitment to provide timely, accessible, and actionable data to policymakers, industry leaders, and community stakeholders across Virginia.
- Our newest edition estimates a loss of 32,000 jobs across VA in 2025 and GDP growth that lags the national rate.

Virginia First Cities are already showing some declines in employment



Employment Change in Virginia First Cities, Jan – March 2025 (BLS - LAUS)

- According to the preliminary March figures from LAUS, Virginia has already shed over 10,000 jobs since January
- Over 30% (3,224) of those job losses were from Virginia First Cities

Direct and indirect

Direct

- Current federal grants and contracts frozen or terminated
10% of Virginia local government revenue is federal grants and contracts
- Future opportunities eliminated through proposed budget or recission
- Elimination of municipal bond tax exemption

Indirect

- Medicaid cuts leading to greater household income insecurity
- Slowing local economies and less tax revenues
- Instability in the social service nonprofit sector and cutbacks from local colleges and universities

FY 2025 reconciliation and recessions package

- Elimination of federal tax exemption for municipal bonds
- Potential impact that would cut many people off Medicaid
- Cuts to nutrition programs
- Cuts to infrastructure funding

President's FY 2026 skinny budget

- Asks Congress to reduce discretionary domestic spending by \$163 billion out of \$700 billion
- Cuts housing and climate assistance grants
 - Cancels billions in infrastructure funds
 - Cuts state rental assistance program in half
- Eliminates preschool grant birth to five program
- \$4.5 billion in cuts to k-12 programs
- Eliminate programs for English learners

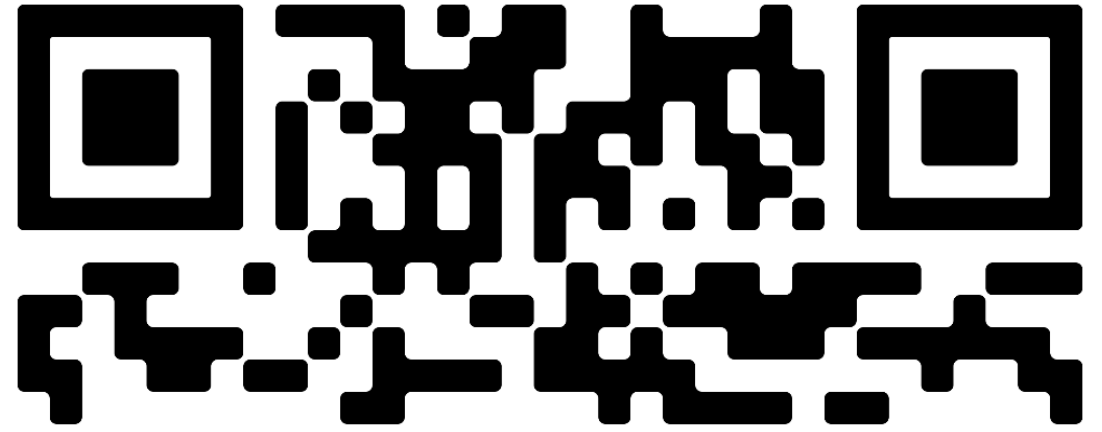
Questions?

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