Chief Administrative Officers Retreat

The Trump Budget and The Washington Region's Economy: Part 1

Stephen S. Fuller, Ph.D.
Dwight Schar Faculty Chair and University Professor
Director, Stephen S. Fuller Institute
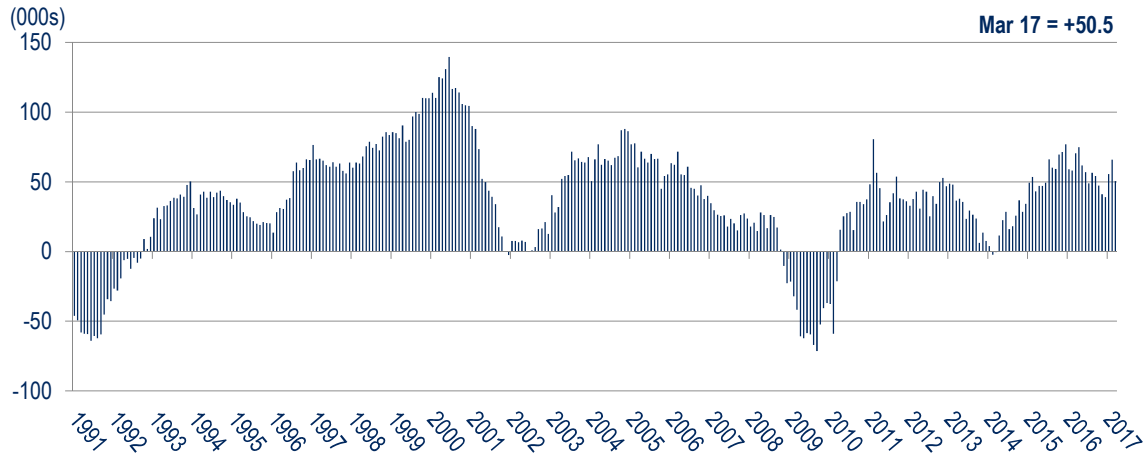Schar School of Policy and Government
George Mason University

May 12, 2017

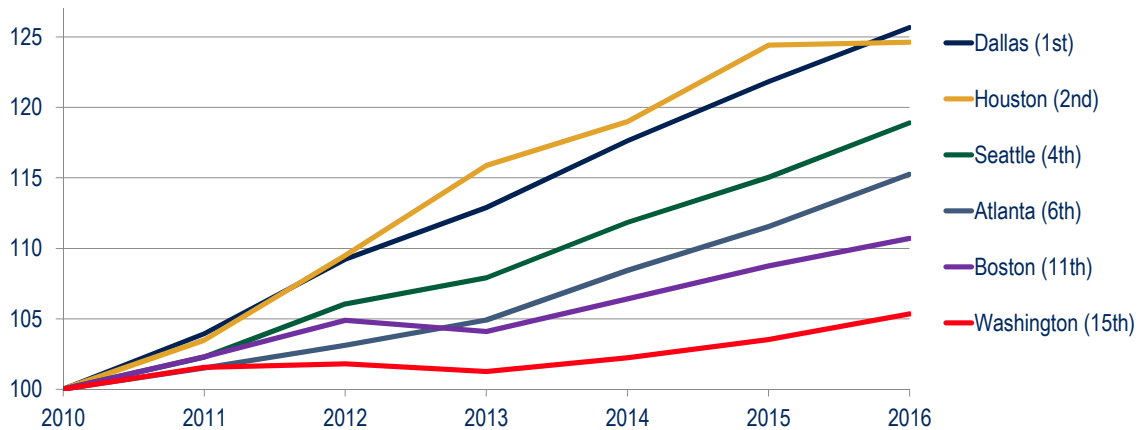# The Washington Region's Changing Economy: Setting the Stage

Washington Region Job Change: Private Sector
The Great Recession and Recovery

	Aug 2008-Feb 2010 Total -180	Feb 2010-Feb 2017 Total +331
Professional & Business Services	-23.7	76.1
Education & Health Services		86.2
Retail Trade	-22.7	33.0
Leisure & Hospitality Services	-34.4	79.3
Construction	-48.6	22.9
Other Services	-8.4	19.0
Financial Services	-10.0	10.1
Information Services	-11.6	
Manufacturing	-9.8	
Wholesale Trade	-6.7	
Transportation & Utilities	-4.4	4.0

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

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Average Wage in the Washington Region
(000s of 2015 $s)

Legend: D.C., Region, Northern Virginia, Suburban Maryland
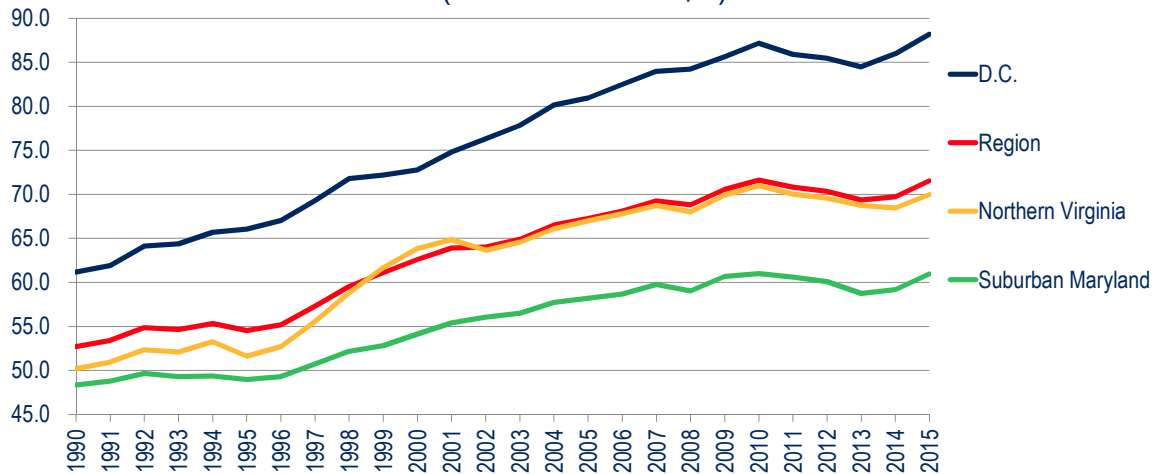
Sources: Bureau of Labor Statistics; The Stephen S. Fuller Institute

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Annual Job Change, 2002-2017
Revision to Preliminary Data
Washington Region

Average 2016
Revision: -16,800

(000s) Annual Change   Annual Month-Over-Year Change

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU
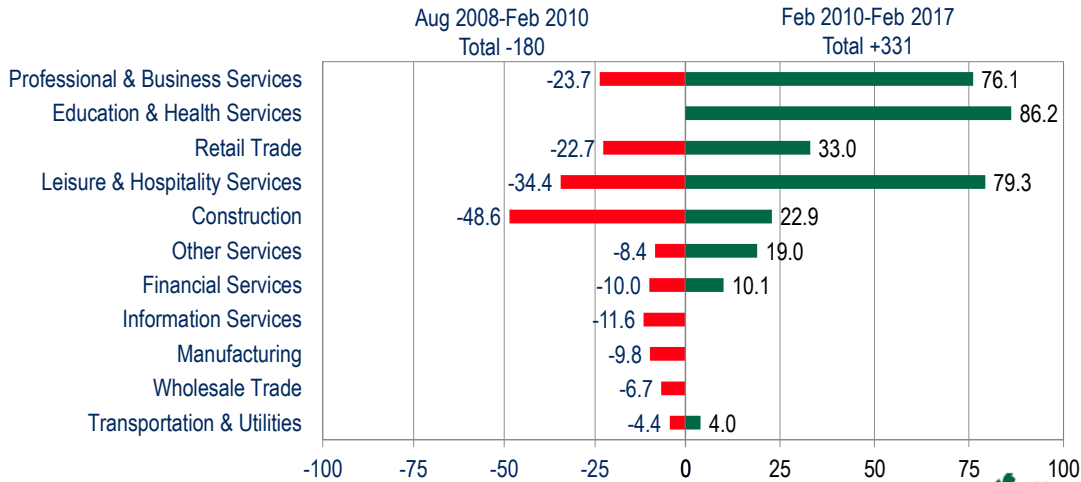
STEPHEN S. FULLER INSTITUTE
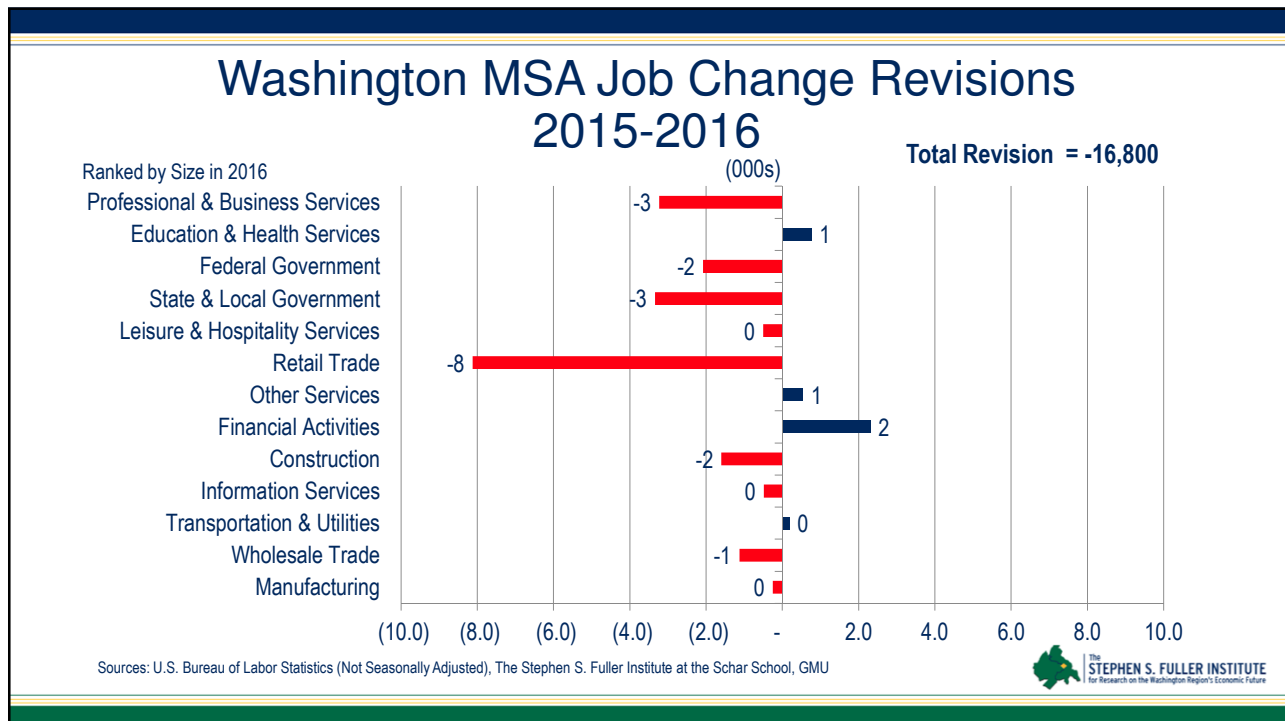for Research on the Washington Region's Economic Future

Washington MSA Job Change Revisions
2015-2016

Total Revision = -16,800

Ranked by Size in 2016   (000s)

Sector	Revision
Professional & Business Services	-3
Education & Health Services	1
Federal Government	-2
State & Local Government	-3
Leisure & Hospitality Services	0
Retail Trade	-8
Other Services	1
Financial Activities	2
Construction	-2
Information Services	0
Transportation & Utilities	0
Wholesale Trade	-1
Manufacturing	0

(10.0) (8.0) (6.0) (4.0) (2.0) - 2.0 4.0 6.0 8.0 10.0

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

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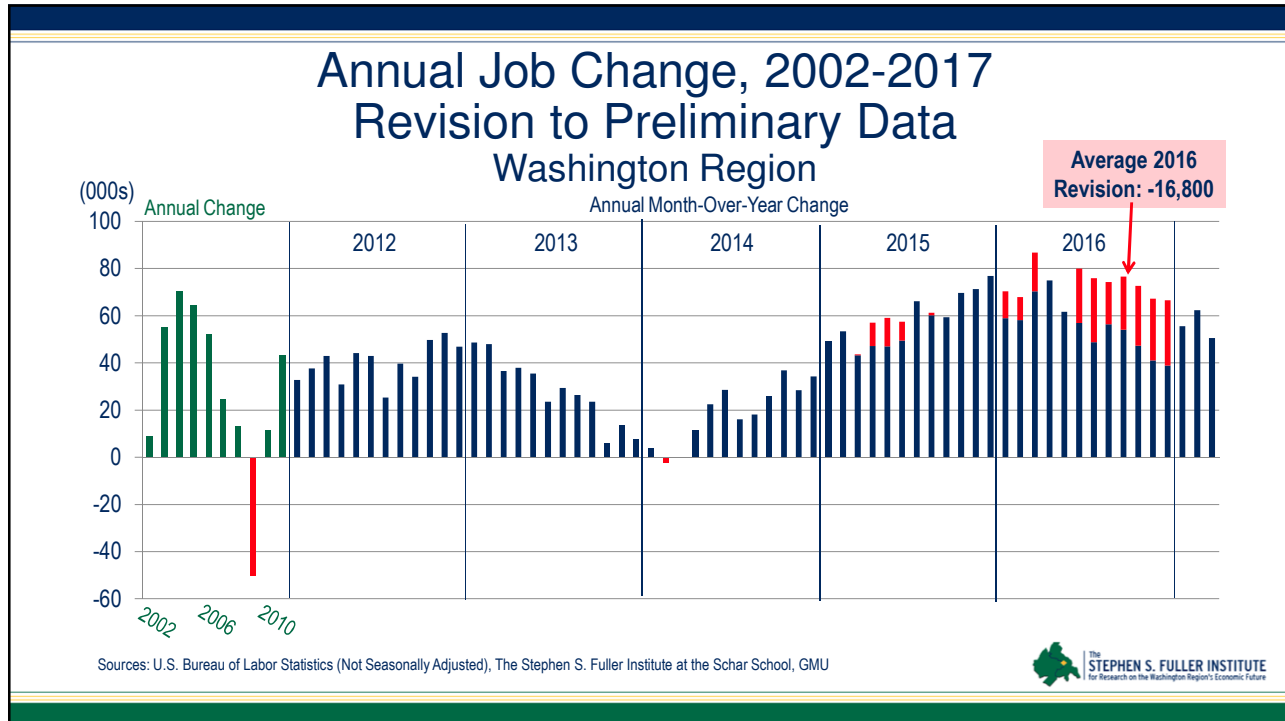for Research on the Washington Region's Economic Future

Growth Rates of the Washington Region's Advanced Industrial Clusters
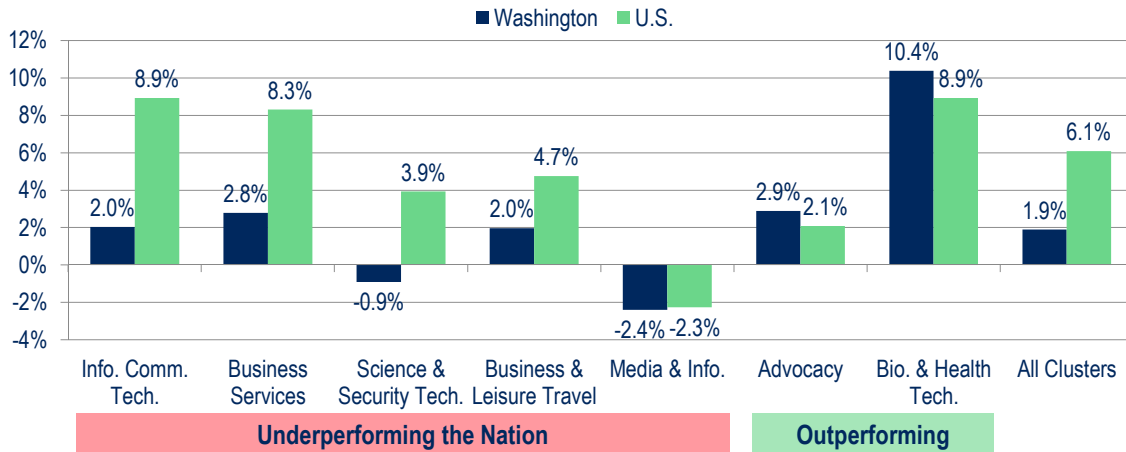
■ Washington ■ U.S.

Cluster	Washington	U.S.
Info. Comm. Tech.	2.0%	8.9%
Business Services	2.8%	8.3%
Science & Security Tech.	-0.9%	3.9%
Business & Leisure Travel	2.0%	4.7%
Media & Info.	-2.4%	-2.3%
Advocacy	2.9%	2.1%
Bio. & Health Tech.	10.4%	8.9%
All Clusters	1.9%	6.1%

Underperforming the Nation | **Outperforming**

Sources: U.S. Bureau of Labor Statistics (QCEW), The Stephen S. Fuller Institute at the Schar School, GMU

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## Washington Region's Employment Change in the Advanced Industrial Clusters: March 2014 – March 2016

	% Change
Clusters	1.9%
Non-Cluster, Private	4.9%
Government	1.8%
Total Jobs	3.5%
Clusters, U.S.	6.1%

Sources: U.S. Bureau of Labor Statistics (QCEW), The Stephen S. Fuller Institute at the Schar School, GMU

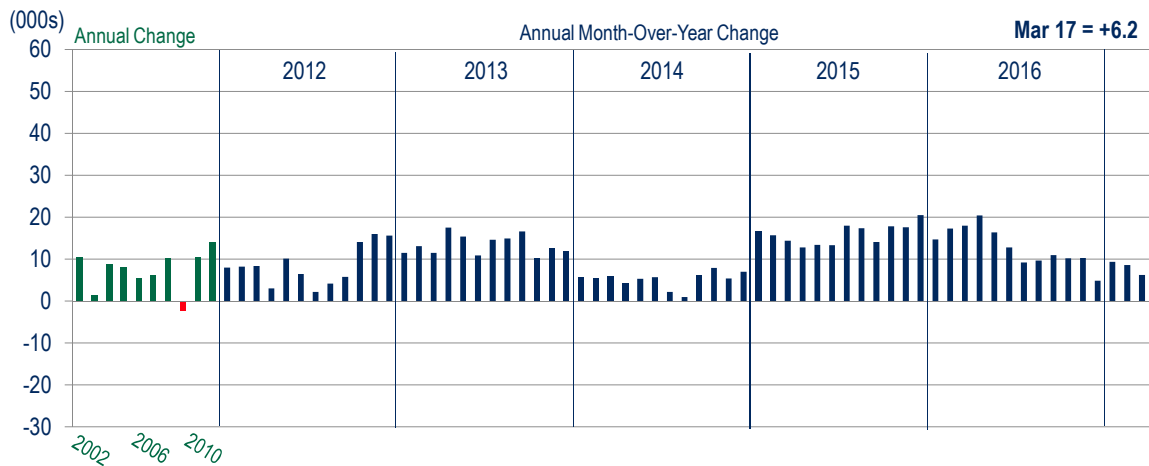The STEPHEN S. FULLER INSTITUTE for Research on the Washington Region's Economic Future

Annual Job Change, 2002-2017
Washington Region
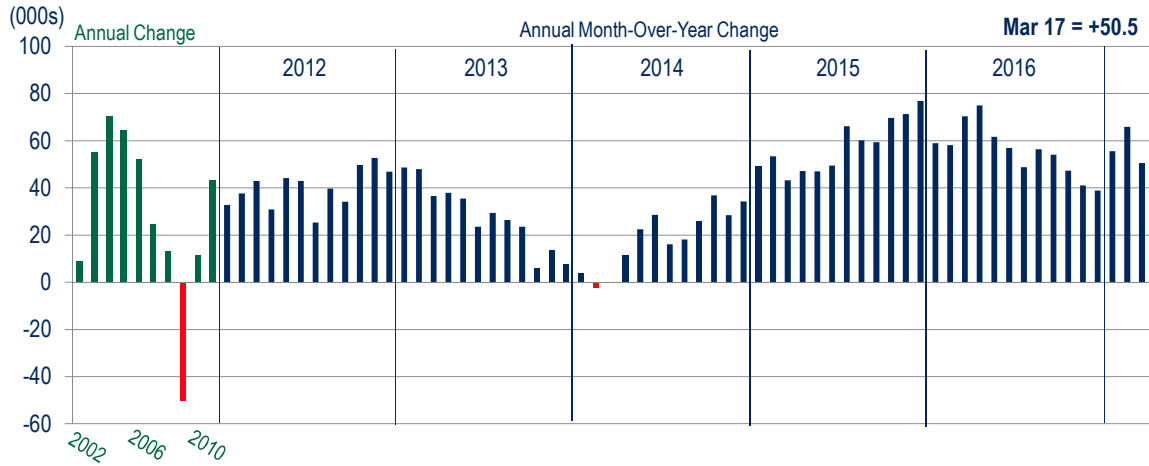
Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU
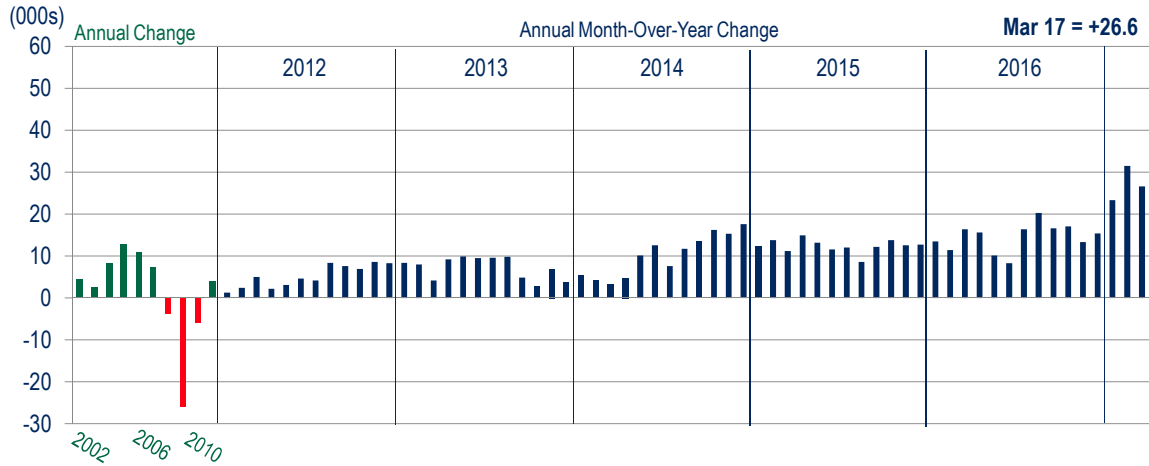

District of Columbia
Annual Job Change, 2002-2017

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

Suburban Maryland
Annual Job Change, 2002-2017

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU
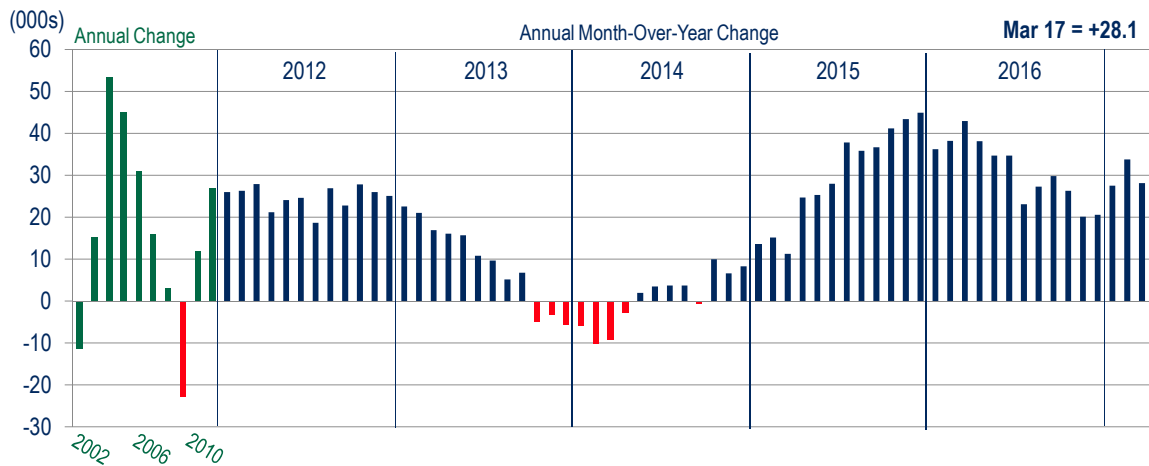
Northern Virginia
Annual Job Change, 2002-2017

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU
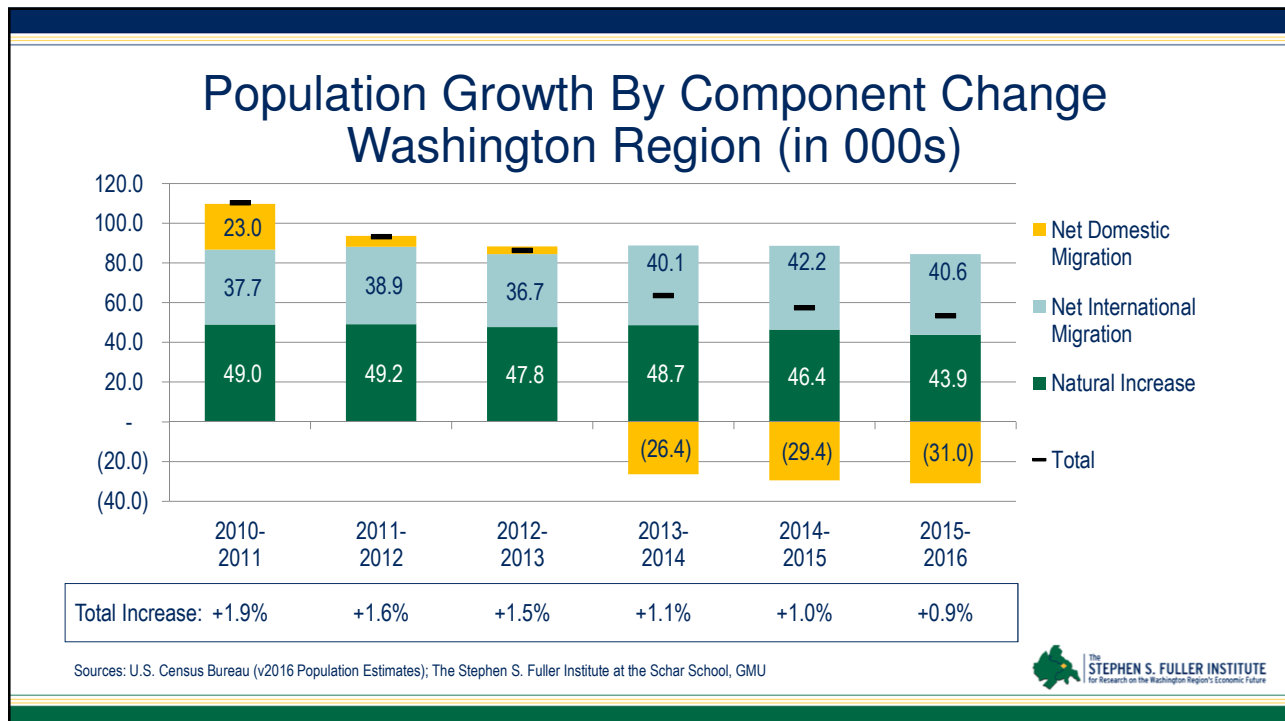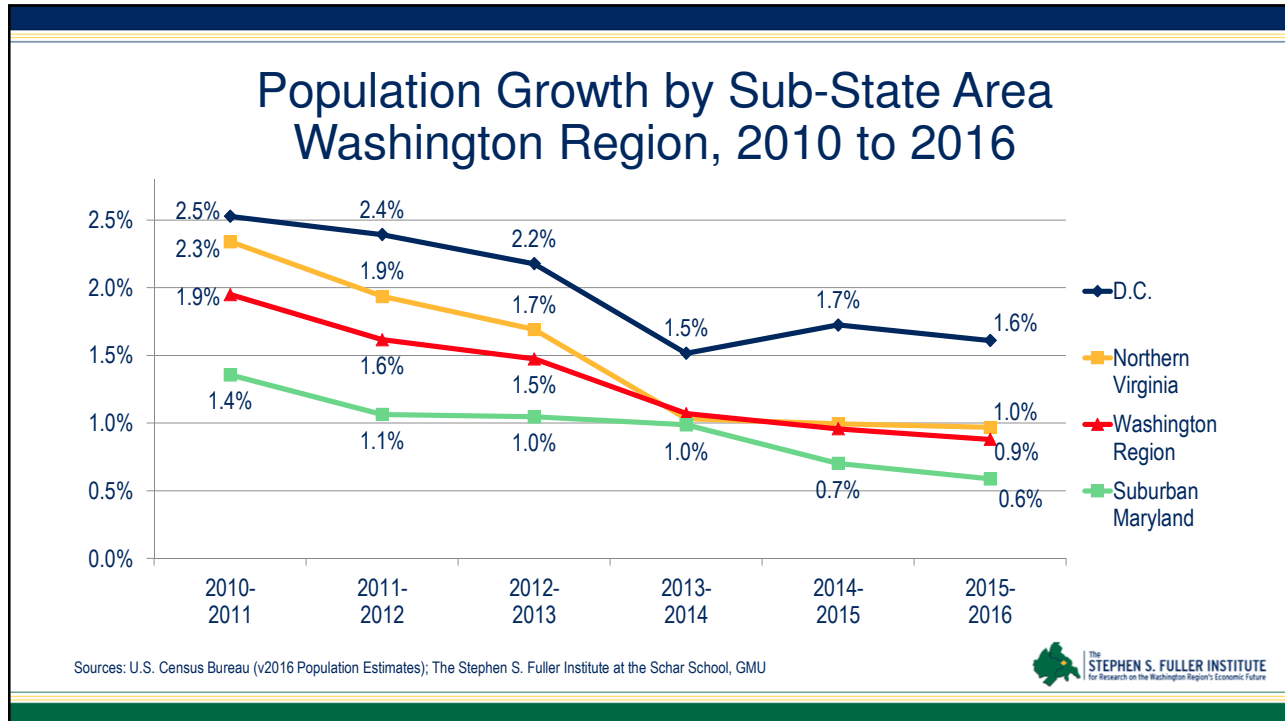
Population Growth by Sub-State Area
Washington Region, 2010 to 2016

Sources: U.S. Census Bureau (v2016 Population Estimates); The Stephen S. Fuller Institute at the Schar School, GMU

Population Growth By Component Change
Washington Region (in 000s)

Total Increase:	+1.9%	+1.6%	+1.5%	+1.1%	+1.0%	+0.9%

Sources: U.S. Census Bureau (v2016 Population Estimates); The Stephen S. Fuller Institute at the Schar School, GMU

The Trump March 16th Budget Blueprint

The Trump March 16th Budget Blueprint

Increase DOD spending by $52.0 billion
Increase VA spending by $4.4 billion
Increase DHS spending by $2.8 billion

To make these spending increases neutral, decrease spending across other federal agencies (EPA, - 31%; State, -29%; Agri, -21%; Labor, -21%; HHS, -18%; Commerce, -16%; Edu, -14%; HUD, -13%; DOT, -13%; Energy, -6%; SBA, -5%; Treasury, -4%; Justice, -4%; NASA, -1%; plus savings by eliminating 19 independent agencies

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The Trump Budget and
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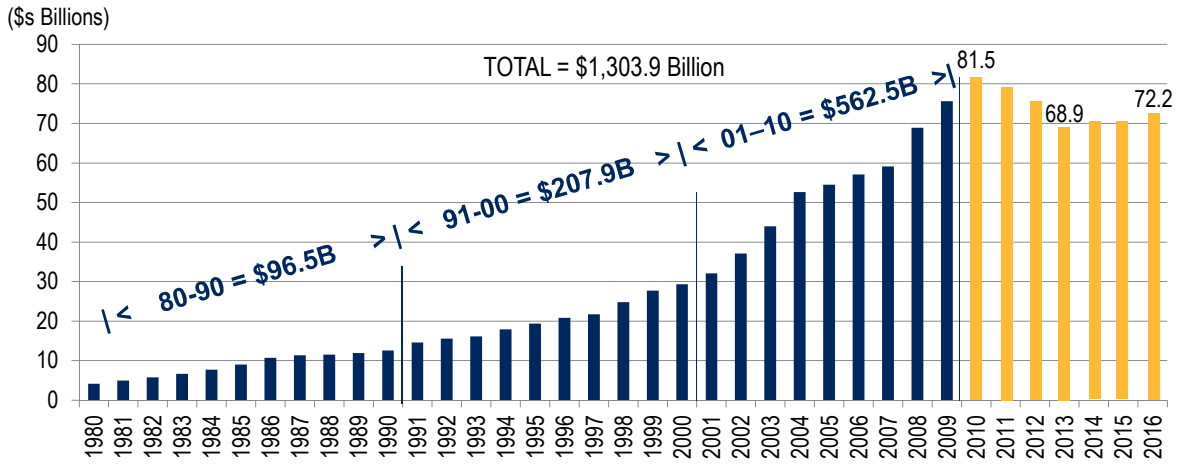Schar School of Policy and Government
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May 12, 2017

The Washington Region's Directly Related Federal
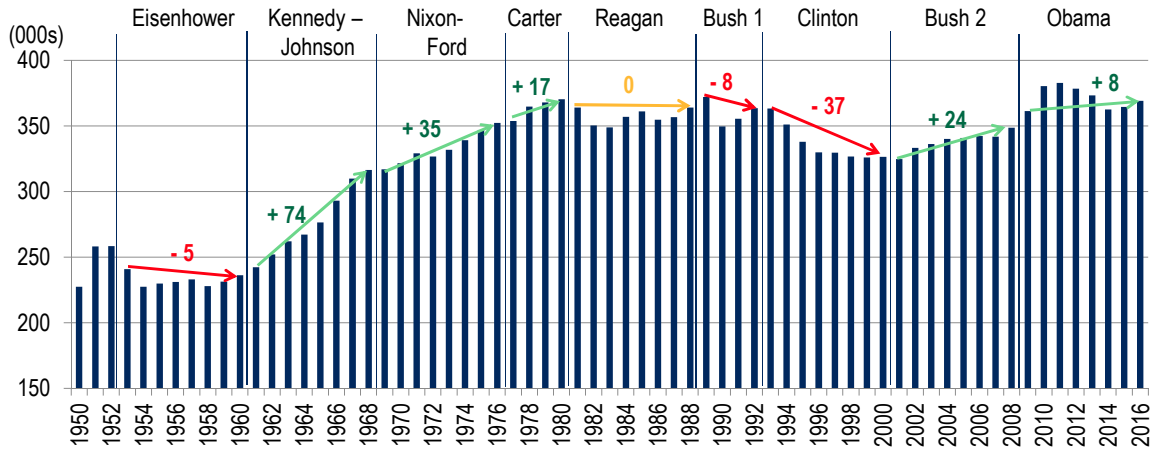Economy and Current Economic Outlook

Federal Procurement in the Washington Region, 1980-2016

($s Billions)

TOTAL = $1,303.9 Billion

\< 80-90 = $96.5B >|< 91-00 = $207.9B >|< 01–10 = $562.5B >|

81.5
68.9
72.2

Source: US Census, Consolidated Federal Funds Report and USAspending.gov, The Stephen S. Fuller Institute at the Schar School, GMU

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Federal Employment in the Washington Region, 1950-2016

(000s)

| Eisenhower | Kennedy – Johnson | Nixon-Ford | Carter | Reagan | Bush 1 | Clinton | Bush 2 | Obama |

- 5
+ 74
+ 35
+ 17
0
- 8
- 37
+ 24
+ 8

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

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Federal Government Jobs
Washington MSA
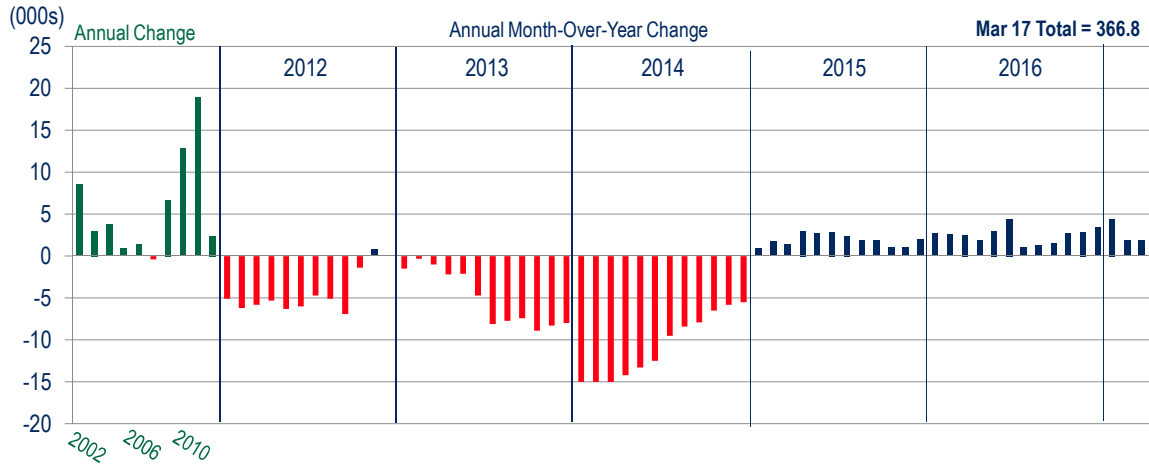
(000s) Annual Change   Annual Month-Over-Year Change   **Mar 17 Total = 366.8**

| 2012 | 2013 | 2014 | 2015 | 2016 |

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

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Employment Change by Sub-State Area
Baseline Forecast (000s)

	2014	2015	2016	2017	2018	2019	2020	2021
D.C.	5.2	15.9	13.0	8.9	5.3	4.9	4.5	3.5
Sub. MD	10.2	12.5	14.4	14.4	12.7	10.9	8.0	5.7
No. VA	0.8	29.8	31.0	23.9	26.6	19.7	13.7	12.9
REGION	18.6	57.7	55.6	45.9	41.3	33.1	27.9	24.0

Average Annual Change 1990-2010 = 36,300

Sources: BLS, IHS Economics, The Stephen S. Fuller Institute at the Schar School, GMU (forecast as of April 2017)
NOTE: The regional totals include Jefferson, WV.

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Potential Impacts on the Washington Economy from Potential Reductions in Federal Spending

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The Direct Effect of the Trump Blueprint on Federal Jobs in the Region

	Federal Jobs		As a % of Federal Jobs	
	Low	**High**	**Low**	**High**
District of Columbia	(14,000)	(15,000)	-7.0%	-7.4%
Suburban Maryland	(5,500)	(6,000)	-6.8%	-7.3%
Northern Virginia	(500)	(3,600)	-0.4%	-4.2%
Washington Region	**(20,000)**	**(24,600)**	**-5.4%**	**-6.6%**

Source: The Stephen S. Fuller Institute at the Schar School, GMU

The Direct Effect of the Trump Blueprint on Federal Salaries in the Region

	Federal Salaries (Billions)		As a % of Federal Salaries	
	Low	**High**	**Low**	**High**
District of Columbia	$ (1.6)	$ (1.7)	-7.1%	-7.6%
Suburban Maryland	(0.6)	(0.6)	-7.5%	-7.2%
Northern Virginia	(0.1)	(0.4)	-0.9%	-5.1%
Washington Region	**$ (2.3)**	**$ (2.7)**	**-5.9%**	**7.0%**

Source: The Stephen S. Fuller Institute at the Schar School, GMU

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The Direct Effect of the Trump Blueprint on Federal Procurement in the Region

	Federal Procurement (Billions)		As a % of Federal Procurement	
	Low	**High**	**Low**	**High**
District of Columbia	$ (0.7)	$ (0.8)	-3.6%	-4.0%
Suburban Maryland	(0.9)	(0.9)	-6.1%	-6.2%
Northern Virginia	0.8	0.5	2.0%	1.3%
Washington Region	**$ (0.8)**	**$ (1.2)**	**-1.2%**	**-1.7%**

Source: The Stephen S. Fuller Institute at the Schar School, GMU

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The Direct Effect of the Trump Blueprint on Federal Grants in the Region

	Federal Grants (Billions)	As a % of Federal Grants
District of Columbia	$ (0.9)	-15.5%
Suburban Maryland	(0.1)	-6.5%
Northern Virginia	(0.1)	-9.8%
Washington Region	**$ (1.1)**	**-13.5%**

Source: The Stephen S. Fuller Institute at the Schar School, GMU

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The Direct Effect of the Trump Blueprint on Federal Activity in the Region

- -20,000 to -24,600 federal jobs,
    - = -$2.3 and -$2.7 billion of federal salaries

- -$800 million to -$1.2 billion in federal procurement spending,
    - = -12,000 private sector contractor jobs

- -$1.1 billion in federal grants

one percent of GRP

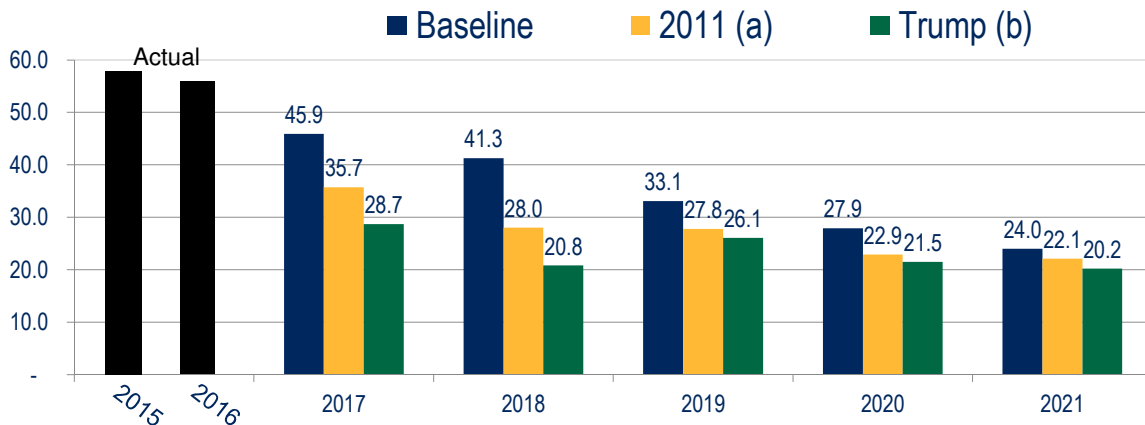Source: The Stephen S. Fuller Institute at the Schar School, GMU

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Employment Change by Scenario, 2017 - 2021
Major Forecast Differences By Sector (000s)

	Total Job Growth	Federal Jobs	Professional & Business Service Jobs
Baseline	172.2	(16.5)	100.8
2011 (a)	136.5	(26.7)	75.5
Trump (b)	117.3	(36.5)	68.4

Sources: IHS Economics, The Stephen S. Fuller Institute at the Schar School, GMU (forecast as of April 2017)
(a) Incorporating spending reductions providing for in the Budget Control Act of 2011.
(b) Reflecting federal spending reductions in Trump FY 2018 Budget Blueprint released March 16, 2017

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Employment Forecast Scenarios
Washington Region

■ Baseline   ■ 2011 (a)   ■ Trump (b)

Actual

2017: Baseline 45.9, 2011 (a) 35.7, Trump (b) 28.7
2018: Baseline 41.3, 2011 (a) 28.0, Trump (b) 20.8
2019: Baseline 33.1, 2011 (a) 27.8, Trump (b) 26.1
2020: Baseline 27.9, 2011 (a) 22.9, Trump (b) 21.5
2021: Baseline 24.0, 2011 (a) 22.1, Trump (b) 20.2

2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021

Sources: BLS, IHS Economics, The Stephen S. Fuller Institute at the Schar School, GMU (forecast as of April 2017)
(a) Incorporating spending reductions providing for in the Budget Control Act of 2011.
(b) Reflecting federal spending reductions in Trump FY 2018 Budget Blueprint released March 16, 2017
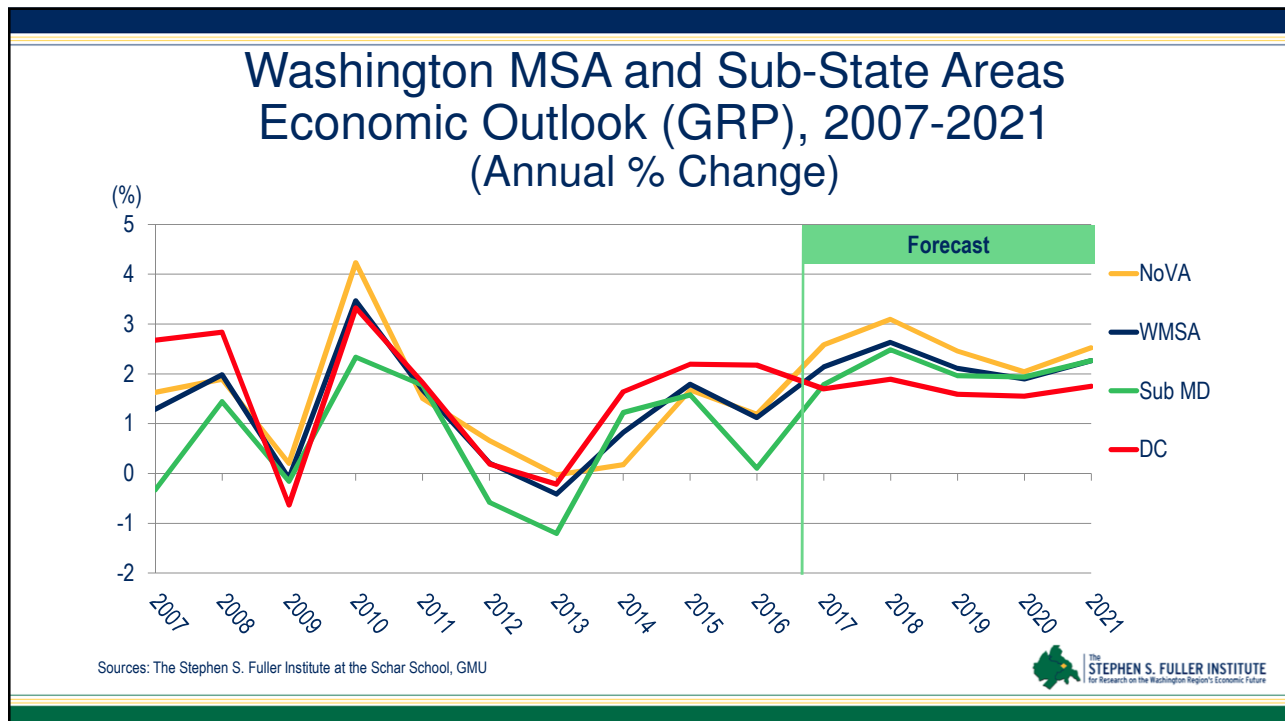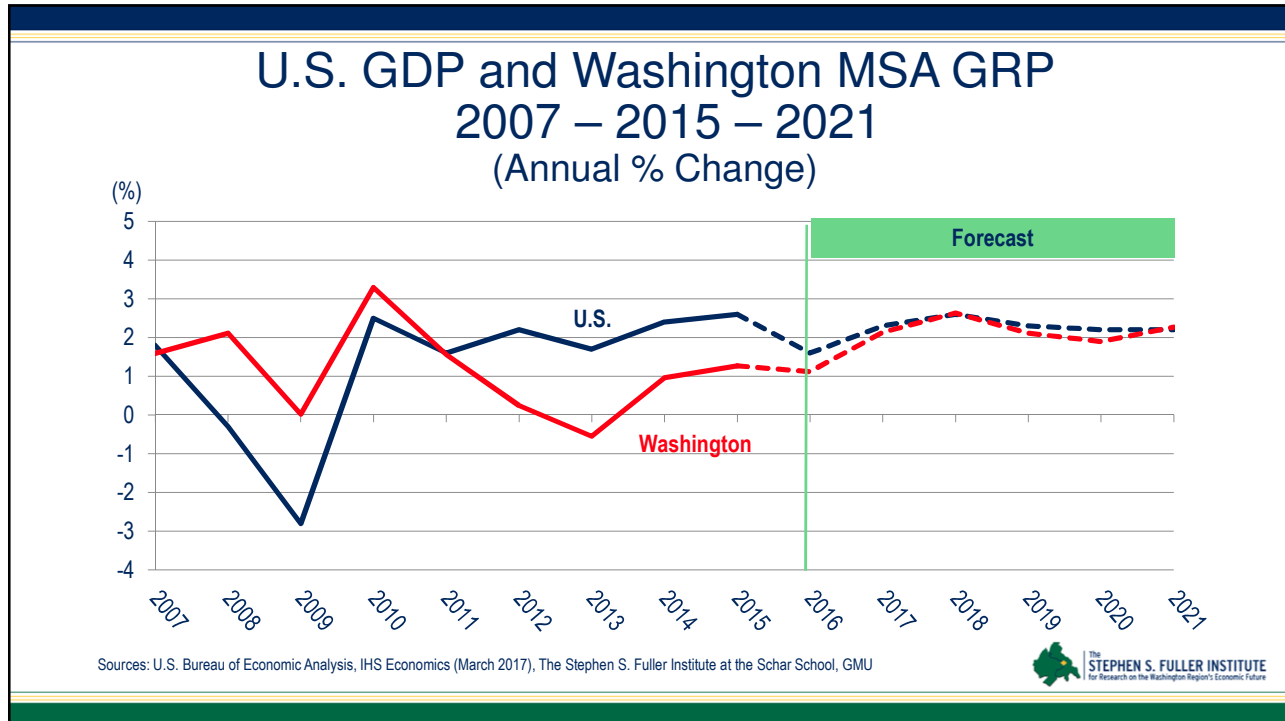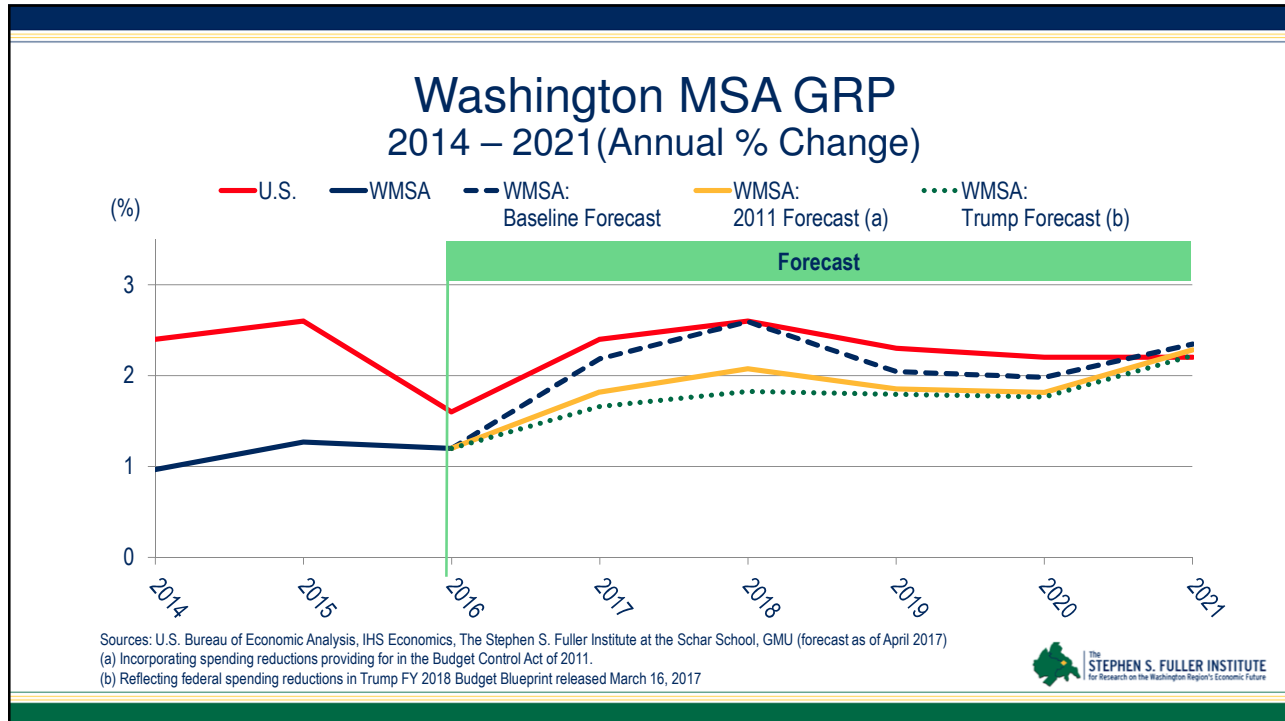
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U.S. GDP and Washington MSA GRP 2007 – 2015 – 2021 (Annual % Change)

Sources: U.S. Bureau of Economic Analysis, IHS Economics (March 2017), The Stephen S. Fuller Institute at the Schar School, GMU

Washington MSA and Sub-State Areas Economic Outlook (GRP), 2007-2021 (Annual % Change)

Sources: The Stephen S. Fuller Institute at the Schar School, GMU

Washington MSA GRP
2014 – 2021(Annual % Change)

Sources: U.S. Bureau of Economic Analysis, IHS Economics, The Stephen S. Fuller Institute at the Schar School, GMU (forecast as of April 2017)
(a) Incorporating spending reductions providing for in the Budget Control Act of 2011.
(b) Reflecting federal spending reductions in Trump FY 2018 Budget Blueprint released March 16, 2017

Thank You & Questions

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sfullerinstitute.gmu.edu