<u>Testimony</u>

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Committee on Government Oversight and the Workforce

"The Stay-at-Home Federal Workforce: Another Biden-Harris Legacy"

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Chairman Comer and Members of the Committee, I appreciate the opportunity to testify today. I am Tom Davis, President of the Federal City Council, a civic organization established in 1954 dedicated to the improvement of our nation's capital. We work at the intersection of federal and local Washington to create a more economically and socially vibrant District of Columbia.

Washington D.C. is the epicenter of federal operations, with 374,000 federal employees in the region representing 11.1 percent of the workforce, including 162,144 in the District itself—44.3 percent of the District's workforce.[i, ii] When the federal government sneezes, DC and the region catch a cold.

Today, Washington has the highest work-from-home rate in the country according to the U.S. Census, with real-time occupancy data from Kastle Systems showing DC ranking consistently last among major cities.[iii, iv] This unprecedented shift to remote work has devastated our local economy in four critical areas:

First, the impact on small businesses has been severe. DC office activity as measured by Kastle Systems remains at less than half of its pre-COVID level.[v, vi] The exodus forced the closure of at least 375 small businesses immediately after COVID, with downtown retail vacancy rates more than doubling from 10 percent in 2019 to 22 percent in 2023.[vii, viii] These aren't just statistics—they represent family-owned restaurants, neighborhood cafes, and local shops that relied on the daily presence of federal workers. Remote-capable workers typically spend $127 per week near their workplace on food, retail, and services—spending that has now shifted from downtown to residential neighborhoods.[ix]

Second, this shift has triggered a fiscal crisis through declining commercial property values and reduced tax revenue. DC's office vacancy rate has reached an unprecedented 21.2 percent, with vacant office space increasing by 8.4 million square feet—a staggering 46.2 percent jump—between 2020 and 2023.[x, xi] This vacancy crisis has led to plummeting commercial property values and corresponding tax revenue declines, forcing the District to implement over $500 million in budget cuts affecting essential services.[xii, xiii, xiv] This economic impact extends to Virginia and Maryland, where tax bases are declining as expenditure needs expand, particularly at Metro.

Third, our public transit systems are facing an existential threat. Pre-pandemic, federal employees represented 40 percent of Metro's weekday ridership. By 2021, this had collapsed to just 14 percent, causing federal passenger revenue to plunge from $180 million to $25.5 million.[xv, xvi] This dramatic decline has contributed to a $750 million operating budget gap at WMATA, with a similar shortfall looming in the capital budget[xvii]. The impact extends beyond Metro—federal employees constituted between 40 and 70 percent of regional weekday ridership on the Virginia Railway Express [xviii] and the Maryland Area Regional Commuter system. In Arlington County, for example, federally serving transit stops saw a sharp decline in average weekly boardings.[xix]

Fourth, and perhaps most concerning, is the impact on downtown vitality and federal operations. Recent GAO findings show that 17 of 24 federal agencies reviewed used just 25 percent or less of their headquarters capacity in early 2023.[xx] This underutilization drains federal resources while creating dead zones in our federal enclaves. Empty streets and vacant buildings contribute to safety concerns, while previously vibrant neighborhoods like Capitol Hill, Foggy Bottom, and Chinatown have experienced notable declines in cultural and social activities.[xxi]

The federal government demonstrated remarkable resilience during the pandemic, keeping operations running under unprecedented circumstances. However, as private sector employers across the country scale back remote work, the federal government has become an outlier. This position not only impacts operational effectiveness but threatens the economic and social fabric of our nation's capital.

While telework flexibility has its place in modern workforce management, the current situation has created unsustainable challenges for our region. We need a balanced approach that recognizes both the benefits of workplace flexibility and the essential role that in-person work plays in maintaining economic vitality, fostering innovation, and supporting the countless small businesses and services that depend on federal workers. The private sector is far ahead of the federal government on this issue because having workers in the office is proving to be more productive and cost effective.

The federal government must follow suit and set a positive example– federal contractors in particular take cues from the federal government. A return-to-office strategy that brings more federal workers back to their workplaces would help stabilize our local economy, support small businesses, restore public transit ridership, and revitalize our downtown areas. This isn't just about maintaining buildings—it's about maintaining the vibrant, collaborative environment that has long made Washington DC a unique and dynamic capital city.

Thank you for the opportunity to testify. I look forward to your questions.

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