



BROOKINGS GREATER WASHINGTON RESEARCH PROGRAM WASHINGTON AREA TRENDS

Federal Procurement Increases \$2.95 Billion in 2000

by Stephen S. Fuller, Ph.D., George Mason University

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Federal purchases of goods and services in the Washington metropolitan area continued a twenty year record of fueling the expansion of the local economy. A nearly \$3 billion increase in federal procurement went directly to area businesses in 2000 and translated into an estimated 24,500 additional jobs. The increase brought total federal purchases in the area to \$28.6 billion in 2000, up 11.5 percent from \$25.7 billion in 1999. Federal procurement in the Washington area has increased each year since 1980, when procurement spending totaled \$4.2 billion.

The District continued a three-year trend of rapid increases in federal contracting that has seen federal procurement increase 84 percent from \$4.1 billion in 1997 to \$7.6 billion in 2000. This increase helps to explain the District’s dramatic economic recovery over this period. Northern Virginia continues for the fifth year in a row to receive more than 50 percent of the total dollar value of purchases. Over the 20 years since 1980, federal procurement in Northern Virginia has grown two and one-half times faster than in the area’s other sub-state areas.

Federal Procurement By Sub-state Area, 1980–2000
(in billions of current year \$s)

Sub-state Area	1980	%	2000	%	Annual Average Percent Change 1980–2000
District of Columbia	\$1.6	39.5	\$7.6	26.4	7.9%
Suburban Maryland	1.3	30.1	6.3	22.1	8.4
Northern Virginia	1.3	30.4	14.7	51.5	13.0
Totals	\$4.2	100.0	\$28.6	100.0	10.1%



In the Washington area, unlike some areas dominated by a single defense contractor, federal procurement is spread over a large number of purchases from many vendors. In 2000, there were 91,792 separate contracts with an average value of \$311,500. The contracts were dispersed with 42,015 in Northern Virginia, 30,221 in the District, and 19,556 in Suburban Maryland.

How Important Is Federal Procurement to Area Job Growth?

The Washington area had an increase of 112,700 total jobs in 2000, the second largest one year increase ever, exceeding all but the gain in 1988. Of these new jobs, over 100,000 were in

the private sector. The \$3 billion increase in federal procurement in the Washington area translates to about 24,500 additional full-time equivalent jobs, or about a quarter of all the new jobs in the private sector.

Since 1990, federal procurement has increased by a \$17.5 billion while the federal workforce declined by 36,600. During this same period, total employment in the metropolitan area increased by 412,400. The creation of an estimated 145,000 private sector jobs as a result of increased federal procurement in the area has more than off-set the area's loss of federal jobs. Federal procurement clearly was an important stimulus to the economy's recovery from the 1990-1991

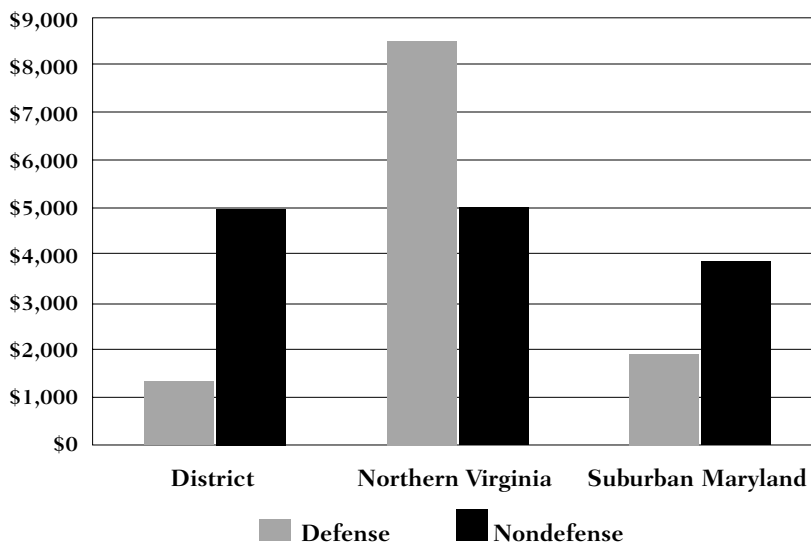
recession and the subsequent growth of the private sector.

Shift to Non-Defense Procurement Continues

Continued sluggishness in Defense Department purchases from Washington firms has resulted in broader more diversified federal procurement. As recently as 1990, Defense dominated in the Washington area with 58 percent of all purchases. By 2000, an almost complete reversal had occurred with non-Defense purchases accounting for 57.5 percent of the total. Non-Defense purchases increased 19 percent in 2000, while Defense purchases increased just 2.9 percent.

The General Services Administration was the largest non-Defense purchaser in the Washington area in 2000, reflecting its responsibility for providing space and related services to other federal agencies. Its purchases for building maintenance and repair, new construction, facility operations and housekeeping, and space leasing and rentals totaled \$4.5 billion. These procurements, other than leasing, all have significant job and income implications within the private sector. District-based firms received \$2.2 billion or almost half of General Services' Administration procurement, while firms in Northern Virginia accounted for 43.7 percent and Suburban Maryland's share was only 8.6 percent.

Defense and Non-Defense Federal Procurement by Sub-state Area, FY2000
(\$ in Thousands)



**Major General Services Administration Procurements,
FY 2000**

Type of Procurement	Value in Millions	Percent
Maintenance & Repair of Buildings	\$917.1	20.2
Utilities	655.8	14.5
Facilities Construction	621.0	13.7
Maintenance & Repair of Equipment	584.6	12.9
Facility Leasing/Rental	567.1	12.5
Architect & Engineering Services	515.2	11.4
Facility Operations	353.6	7.8
Housekeeping Services	320.6	7.1
Total	\$4,535.0	100.0

Federal Procurement of Technology

The relationship of federal purchases to the growth of technology in the Washington area is difficult to determine because of the way that federal purchases are classified. For example, procurement of research and development, an apparent technology category, grew just 0.8 percent in 2000 and its share of total procurement slipped from 12.2 to 11.0 percent. On the other hand, purchases of services classified as ADP & Telecommunications and Professional, Administrative, & Management Services, much of which are certainly technology related, account for \$13.6 billion. Procurement of these technology and professional services increased 19.8 percent in 2000 and are up from just \$3.2 billion in 1990.

Procurement of all types of products from area firms totaled \$5.2 billion in 2000 an increase of just 1.5 percent, but technology related ADP Equipment, Software and Supplies purchases accounted for more than half of this total (53.3 percent). Purchases of Communications Equipment accounted for an additional 11.9 percent. Combined, these categories comprise 65 percent of all product purchases dominating the product purchases to a similar degree that ADP and Telecommunications and Professional Services dominate the procurement of services.

For General Information:

Brookings Greater Washington
Research Program
Phone: (202) 797-6292
Fax: (202) 797-2963
E-mail: esheridan@brookings.edu
Website:
www.brookings.edu/washington