

## 1998 Federal Procurement Sets Record Increase

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The federal government continued to power the Washington area private sector economy with purchases of \$25.5 billion during 1998. This was a \$3.8 billion increase, the largest one year gain ever, and a 17.4 percent increase over 1997. The increase in federal procurement spending directly added 31,500 full time equivalent private sector jobs or a major portion of the total 66,100 new jobs added in 1998. The job gain in 1998 was the largest annual increase of the decade for the Washington area. Federal purchasing continued the annual gains begun in 1979 that accumulated a 655 percent increase over the last 19 years and increased the area's share of total national federal procurement from about 4 percent to 12 percent.

### Spending up Across the Area

Over half of all federal procurement in the Washington area continues to be in Northern Virginia, but the 25 percent increase in federal spending in the District and the 22 percent increase in suburban Maryland exceeded the 13 percent growth in Virginia in 1998 by wide margins. However, Virginia's absolute gain of \$1.54 billion was greater than either Maryland or the District of Columbia. The slower Virginia increase rate is attributable to the 8.3 percent growth of defense spending that constitutes almost two-thirds of all federal procurement in Northern Virginia. In contrast, non-defense spending increased at a 22.3 percent

### Federal Purchases by Substate Area FY 1998 (in millions)

	FY1998	1997-98 Change	Percent Change
<b>District of Columbia</b>	<b>\$5,124</b>	<b>\$1,016</b>	<b>24.7</b>
Calvert Co.	7	0.6	9.1
Charles Co.	40	5	12.9
Frederick Co.	65	4	6.0
Montgomery Co.	3,475	230	7.1
Pr. George's Co.	3,117	983	46.0
<b>Suburban Maryland</b>	<b>6,704</b>	<b>1,222.6</b>	<b>22.3</b>
Alexandria	1,089	-333	-23.4
Arlington Co.	2,305	369	19.0
Fairfax Co.*	9,433	1,353	16.8
Loudoun Co.	115	-75	-39.3
Pr. William Co.**	725	214	41.9
Stafford Co.	11	10	1,381.2
<b>Northern Virginia</b>	<b>13,679</b>	<b>1,538</b>	<b>12.7</b>
<b>Washington Area</b>	<b>\$25,506</b>	<b>\$3,777</b>	<b>17.4</b>

\*Includes Fairfax City and Falls Church

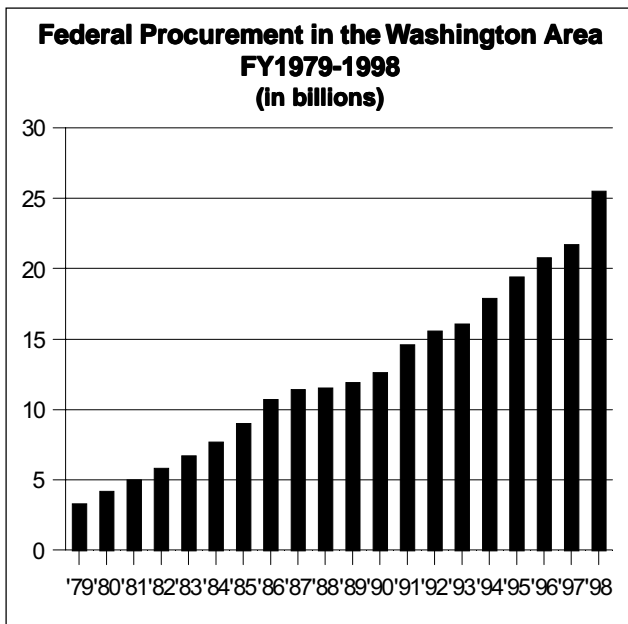
\*\*Includes Manassas and Manassas Park

rate during 1998. Defense spending, at 47 percent of all area federal spending in 1998, has declined since it peaked at 65 percent in 1985.

### Service Purchases Lead

Two-thirds of the federal government purchases in the Washington area are for services and these purchases increased in 1998 at an 18.7 percent

rate. Big gainers among services were those related to computers and telecommunications, up \$1.5 billion or 37 percent to \$5.5 billion compared to 1997. Also a big gainer was purchases of professional, administrative, and management services, up \$760 million, or 19.1 percent, perhaps reflecting federal efforts to privatize some functions by substituting contractors for federal employees.



Of the \$5.5 billion federal purchases of products, two-thirds were for computer hardware and software and communications related equipment. Together, these purchases increased 15.4 percent in 1998. The remaining one-third of product purchases consisted of very diverse types of purchases ranging from guided missiles and nuclear ordnance to tires and toilets.

Research and development continue to constitute about 12 percent of the area's federal pro-

curement, but 1998 saw a promising 23 percent increase over 1997. Over 70 percent of the increase was for defense systems for which total 1998 spending was over \$1 billion.

**Federal Procurement Trends  
10 Largest Purchasing Agencies  
Washington Area  
(in millions)**

	1991	1998	Average Annual Change
Defense	\$7,060	\$12,065	8.0%
GSA	1,333	2,723	10.7%
Transportation	909	1,632	8.7%
NASA	897	1,585	8.5%
Justice	492	1,337	15.4%
Treasury	525	1,239	13.1%
Commerce	156	725	24.5%
HHS	744	668	-1.5%
Energy	279	581	11.0%
State	291	388	4.2%
All others	1,862	2,561	4.7%
<b>Total</b>	<b>\$14,548</b>	<b>\$25,504</b>	<b>8.4%</b>

While the Defense Department leads in total area procurement, Commerce, Justice, and Treasury purchases have increased their procurement at faster rates in the 1990s.

There were a total of 79,839 contract awards in 1998 (excluding deobligations), up from 73,900 in 1997, for a gain of 8.0 percent. The average value of these contracts were up 8.6 percent to \$319,471 in 1998 compared \$299,041 in 1997.

Note: for additional tables on federal spending consult the Center's web site at [www.gwrc.org](http://www.gwrc.org).

Source for tables: Federal Procurement Data Center.  
Analysis by Stephen S. Fuller and John L. Preston