

## Slower Growth in Federal Spending in Metropolitan Washington FY 1998

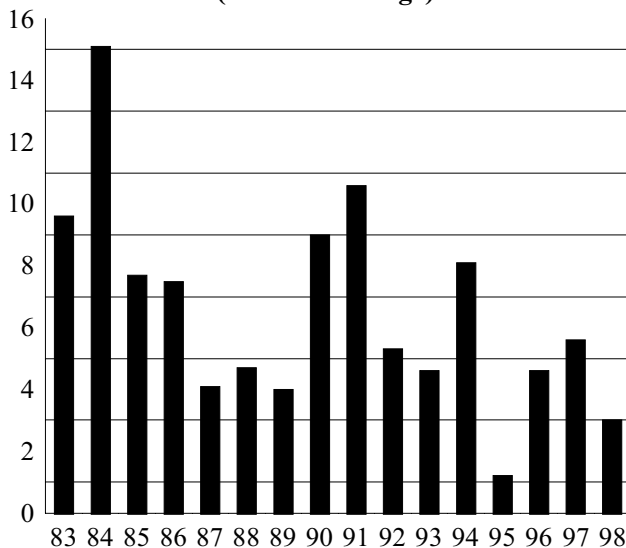
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Federal spending for procurement, salaries, grants, and benefits for individuals in the metropolitan Washington area increased \$1.9 billion, or 3.1 percent, to \$64.6 billion in 1998. This was the second lowest rate of increase since 1983 when these data were first reported, and was lower than the 3.6 percent increase in federal spending nationally. Federal spending is vitally important to the area. In 1998, it accounted for about one-third of the area's gross regional product. However, since 1983, the direct contribution of local spending by the federal government to the area's economy has slowly declined from almost 37 percent.

### Decline in Payroll Spending

The main cause of the slower growth was a 1.5 percent decline in salaries and wages from \$21.0 billion to \$20.7 billion, or less than was spent in 1994. Nationally, salaries and wage spending increased 2.4 percent. The decline in this area results from the implementation of the President's National Performance Review in July 1993. From a federal employment peak of 396,900 workers in 1993, the workforce downsizing has cost the region 59,900 jobs through July 1998, a loss of 15.1 percent. As of March 1999, federal employment was down to 329,400, for a loss of 67,500 jobs.

**Federal Spending  
Washington Metropolitan Area, 1983-1998  
(Percent Change)**



**Federal Spending, FY 1997-1998  
(\$ Billions)**

	Washington Area		Nation	
	1997 \$	1998 \$	97-98 % Chg*	97-98 % Chg*
Grants	\$6.5	\$6.3	3.0	6.2
Salaries/Wages	21.0	20.7	-1.7	2.4
Payments to Individuals	13.2	13.3	0.7	1.9
Procurement**	22.0	24.4	11.0	8.4
<b>Total</b>	<b>\$62.7</b>	<b>\$64.6</b>	<b>3.1</b>	<b>3.6</b>

\*percentages based on unrounded numbers

\*\*federal procurement as reported in *Consolidated Federal Funds Report: 1998*, U.S. Department of Commerce; these totals differ from more recently provided data from the Federal Procurement Data Center that showed the Washington area to have received \$25.5 billion in procurement contract award.

Payments to individuals for Social Security, federal retirement, welfare, and other programs increased less than 1 percent. This increase was also less than the 1.9 percent that payments to individuals increased nationally. The reason for the slower growth of spending in this category is unclear, but may have resulted from the area's general prosperity that decreased the need for federal transfer payments.

### **Good Results for Some Types of Spending**

Fortunately, federal purchases from area firms in 1998 increased \$2.4 billion to \$24.4 billion. The 10.9 percent increase in procurement in 1998 exceeded the national increase of 8.4 percent. Federal procurement outlays in the Washington area have exceeded federal outlays for salaries and wages for three consecutive years.

Grants to governments and nonprofits are the other major category of federal spending in the Washington area. Major sources of federal grants include Medicaid, annual payments to the District of Columbia, and payments to WMATA. In 1998, federal grants in the Washington area totaled \$6.3 billion, up 8.1 percent from 1997. Nationally, federal grant outlays increased 6.2 percent.

### **Spending Patterns Change Across Area**

The mix of federal spending across the Washington area varies considerably as did the rates of change in 1998 funding levels. Northern Virginia experienced the largest decrease in federal outlays for salaries and wages (-6.8%) while in Suburban Maryland, these outlays increased by 3.2 percent. Federal spending increased the fastest in the District of Columbia in 1998, gaining 4.0 percent or \$930 million and increasing the District's share of the region's federal spending from 36.8 percent to 37.2 percent. The District's loss (-1.4%) of federal outlays for salaries and wages was more than off set by its double-digit gains in grants, payments to individuals and procurement. Federal spending in Northern Virginia grew

the slowest of the three sub-state areas, increasing 2.0 percent, decreasing its share of the area's total from 36.4 to 35.9 percent.

Payments to individuals are affected both by the size of the population base in the sub-state area and this population's economic status. These payments were the smallest in the District of Columbia but increased the most in 1998 while in both Suburban Maryland and Northern Virginia payments to individuals declined.

Federal spending is important to the growth and vitality of the Washington area economy in ways other than the amount of direct spending. For example, federal spending is a major source of private sector job growth. The \$9.4 billion increase in federal procurement spending over the past five years is responsible for directly generating an estimated 78,000 new full-time equivalent private sector jobs in the metropolitan area.

While all federal spending increases generate new jobs in the metropolitan area, not all types of federal spending generate the same types and quality of jobs. Because federal procurement is dominated by professional and technical services, the jobs these contracts support have helped to establish a business capacity in the recipient jurisdictions to do similar kinds of work for other local, national and international government and private sector clients. Jurisdictions capturing the largest share of federal procurement outlays have also experienced the most rapid job and income growth since the 1990-1991 recession. Differential patterns of federal procurement have and will continue to have long-term impacts on the economic performance and growth potentials of the area's jurisdictions.

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Sources: U. S. Bureau of the Census. *Consolidated Federal Funds Report: Fiscal Year 1998*. U. S. Government Printing Office, Washington, D. C. 1998; Federal Procurement Data Center, GSA; Center for Regional Analysis, GMU.