

Federal Spending in the Area Increases \$3.8 Billion in 1999

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Federal spending for payroll, procurement, grants, and other purposes in the greater Washington area totaled \$68.4 billion in 1999, an increase of \$3.8 billion or 5.8 percent from 1998. The increase exceeded the 3.8 percent growth of federal spending nationally and was the largest annual increase since 1994.

In the greater Washington area, Federal spending accounts for just under one of every three dollars spent or about 32 per cent of the area's gross regional product. Moreover, even though federal employment has declined by about 65,000 jobs since mid-1993, the share of the Washington area's economy accounted for by federal spending has remained virtually unchanged in the 1990s.

Procurement and Payroll Spending Increases

For the fourth year in a row, procurement outlays for goods and services produced by Washington area firms were the largest component of the area's federal spending. In 1999, procurement totaled \$25.8 billion up \$1.4 billion or 5.7 percent from 1998. This gain exceeded the 3.4 percent increase in procurement spending nationally. Washington area firms accounted for 11.9 percent of all federal procurement nationwide in 1999, which is a dramatic increase from the 4.2 percent share in 1983.

In contrast, the federal payroll only increased 5.6 percent over the five years from 1993 to 1998

as a result of federal workforce downsizing and relatively small annual salary increases. In 1995 and 1998 the federal payroll actually declined -1.4% and -1.7% respectively. This pattern changed in 1999, however, with the federal payroll increasing 4.9 percent to \$21.7 billion.

Federal Spending, FY 1998-1999

(\$s in billions)

	Washington Area % Change	National % Change
Grants	18.5	9.4
Payments to Individuals	1.4	1.9
Salaries and Wages	4.9	4.2
Procurement	5.7	3.4
Total	5.8	3.8

Source: U.S. Census, Consolidated Federal Funds Report, 1998 and 1999.

*Percentage based on unrounded numbers

Federal spending for grants in the Washington area also experienced a substantial gain in 1999, increasing from \$6.3 to \$7.4 billion. This increase of 18.5 percent is substantially higher than the increase nationally, which only equaled 9.4 percent. Payments to individuals, including retirement and disability and other direct payments (including loans), experienced the smallest increase (1.4%) and was the only category of spending growing more slowly in the Washington area than nationally.

Federal Spending by Jurisdiction Washington MSA - FY 1998-1999 (\$s in billions)			
Jurisdiction	1998	1999	Percent Change*
District of Columbia	24.03	27.03	12.8
Suburban Maryland	17.38	17.63	1.5
Calvert County	0.21	0.22	2.2
Charles County	0.57	0.59	3.3
Frederick County	0.70	0.74	5.9
Montgomery County	9.08	9.21	1.4
Prince George's County	6.82	6.87	0.8
Northern Virginia	23.24	23.75	2.2
Arlington County	5.53	5.69	2.4
Fairfax County**	13.01	13.32	2.4
Loudoun County	0.57	0.75	30.8
Prince William County**	1.72	1.42	-17.4
Stafford County	0.20	0.21	6.9
Alexandria City	2.20	2.37	7.8
Washington MSA	64.65	68.42	5.8

*percent change calculated on unrounded numbers
** includes independent cities

Federal Spending Patterns in the Washington Area

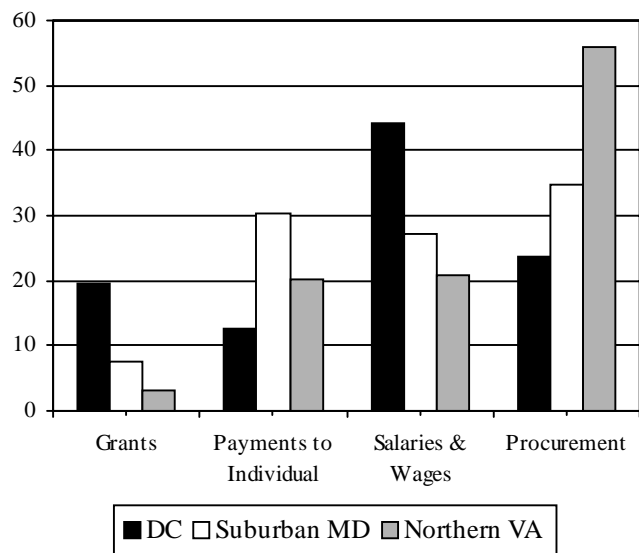
For the second year in a row, the long-term trend of federal spending shifting from the District of Columbia to Northern Virginia was reversed. The District's share of federal spending in the greater Washington area increased from its low of 36.9 percent in 1997 to 39.5 percent in 1999. At the same time, Northern Virginia's share slipped slightly from its peak of 36.3 percent in 1997 to 34.7 percent in 1999. Nevertheless, the District

share of federal spending is still well below the 43.4 percent received in 1983 and Virginia is still well above its 1983 share of 28.3 percent. Suburban Maryland's share of federal spending in the greater Washington area was 25.8 percent in 1999.

Federal Spending Composition

Besides the amount of federal spending in each jurisdiction, the composition of the spending is important. Different types of spending have different effects on the economy. Federal payroll spending, for example, is not necessarily spent in the jurisdiction where the federal job is located. This is particularly true for the District of Columbia where payroll accounted for 44.3 percent of total federal spending in the city but an estimated two-thirds of the employees receiving payroll monies reside in suburban areas and will spend most of their payroll in their jurisdiction of residence.

**Composition of Federal Spending
by Sub-State Area, 1999**
(percent)



Federal procurement spending, on the other hand, supports the creation of business capacity and jobs in the jurisdiction where the procurement is made. During the 1990's, firms located in Northern Virginia received a total of \$93.1 billion in federal procurement awards while firms located in Suburban Maryland received \$52.0 billion. Total job growth over the same period in Northern Virginia totaled 233,000, while Suburban Maryland had job growth of 110,400. The difference in federal procurement spending rates in Virginia and Maryland during the 1990s may help to explain the differential job growth rates in the two areas.

Types of Federal Procurement

Finally, the type of federal procurement is also important. In the District of Columbia a significant portion of it pays for building operations, utilities, transportation, and personnel services. The employment impact of these procurement outlays and the capacity building benefits for the District are small. In addition, recent research has shown that a substantial portion of federal procurement outlays in the District, except for building operations, utilities, transportation, and personnel services, is actually spent in locations outside of the city. Such a shifting of funds reduces the corollary economic benefits the District realizes from its \$6.4 billion in federal procurement.

Conclusion

Even though other economic sectors may employ larger numbers of workers and are creating large numbers of new jobs, federal spending continues to dominate the area's economy. Federal payroll outlays totaling \$21.7 billion are a major source of the consumer spending and support for

Federal Spending in the Washington Metropolitan Area, 1983-1999
(Percent of Gross Regional Product & Percent Change)

Year	Percent of GRP*	Percent Change **
1983	36.4	
1984	36.6	9.3
1985	36.1	7.9
1986	35.7	7.5
1987	35.8	3.9
1988	32.5	4.8
1989	30.6	4.0
1990	32.1	9.0
1991	34.2	10.5
1992	33.6	5.3
1993	33.9	4.6
1994	35.0	8.1
1995	33.7	1.3
1996	33.5	4.6
1997	33.7	5.6
1998	32.8	3.1
1999	32.7	5.8

*GRP and federal spending converted to constant dollar values before calculating percent share; **annual percent change based on current year dollars (not adjusted for inflation).

the area's retail and local services sectors and the Federal procurement outlays totaling \$25.8 billion directly support at least 10 percent of the area's private sector jobs. This federal spending is a major force in attracting new businesses to the Washington area and expanding existing firms.