

MEDIA RELEASE



401 9th Street, NW
North Lobby, Suite 500
Washington, DC 20004
Tel: 202 482-7200
Fax: 202 482-7272
www.ncpc.gov

For Immediate Release
Thursday, December 05, 2002

Lisa MacSpadden
202-482-7263 or lisa@ncpc.gov

New NCPC Study Reveals Federal Spending Is a Key Force in Driving the Washington-Area Economy

Washington, DC – A new study released by the National Capital Planning Commission finds that federal contract and procurement spending has been one of the most important forces driving the Washington-area economy during the past decade. The findings stand in sharp contrast to the widespread impression that the role of the federal government in the region's increasingly diversified economy is shrinking.

The study, entitled *The Impact of Federal Procurement on the National Capital Region*, reports on the effects of federal contract spending from 1990 to 2000 and analyzes the impacts on business development, and job and income generation. NCPC commissioned Stephen S. Fuller, University Professor and Director of the George Mason University's Center for Regional Analysis to conduct the study. The research coincides with the work of the Commission's Federal Office Space Task Force to update the Federal Facilities and Employment Element of the Comprehensive Plan for the National Capital.

"The research presented in this report clearly shows the importance of federal procurement as a potent force in shaping and positioning the economy to achieve and sustain its vitality in an increasingly competitive environment," said task force chairman Arrington Dixon.

Among its findings, the report reveals that from 1993 to 2001, federal procurement spending doubled, increasing from \$15.6 billion to \$31.5 billion, and that the number of contractor jobs grew from an estimated 194,500 to 389,000 workers. The report also shows that in the year 2000, direct and indirect federal procurement spending accounted for an impressive 21 percent of the total Gross Regional Product. In fact, the federal government spends more in the Washington region for goods and services than it does in any state in the nation.

According to the study, during the 1990s, when the region's total employment base was increasing 17 percent and the value of goods and services generated in the region increased 68 percent, federal procurement outlays grew an astounding 126 percent. This can be explained by the government's move away from spending for supplies and equipment and towards spending for services. This trend began in the 1980s with the downsizing of the military and was reinforced by the contraction in the federal workforce in the 1990s.

—MORE—

In the past, the federal government's role in the region's economy was measured by the number of workers it employed. Now the size of its workforce is augmented by the federal government's direct support of jobs and income growth in the private sector.

The report's author, Stephen S. Fuller, found that while the number of federal workers in the region has fallen in recent years to 329,000 (12.7 percent of total regional employment), the total number of federal contract jobs and the additional non-contract jobs they create totaled more than 621,000 (20.3 percent of total regional employment).

The federal government's shift from direct payroll towards procurement spending will have impacts on locally based businesses and state and local governments seeking to strengthen the area's competitiveness through tax, transportation, and workforce training policies. A strong and economically vibrant National Capital Region enhances the image and efficient functioning of the federal government. NCPC will work with business and economic development groups and planning authorities to help local jurisdictions effectively compete to best meet the procurement needs of the federal government, and in so doing, strengthen the economic vitality of their own communities.

Congresswoman Eleanor Holmes Norton (D-DC) said the report's findings show "the District is geographically positioned to be the first to benefit from the huge increase in federal procurement. This report should help the region's core city realize its full potential.

Other key findings of The Impact of Federal Procurement on the National Capital Region include:

- Between 1990 and 2000, the total value of federal contracting increased 126.6 percent; the number of communities in which federal contracting occurred grew by 61.1 percent and the number of contractors increased by 41.2 percent.
- The overall multiplier associated with federal procurement outlays in the region in 2000 was 1.8; that is, each dollar spent on federal procurement generates a total benefit of \$1.80 for the region. The \$28.4 billion in procurement spending actually generated a total of \$51.2 billion in economic activity accounting for 21 percent of the regional gross product. This spending supported 621,600 jobs in the region and generated personal earning totaling \$17 billion.
- The growth in federal contracting activity favored firms in Northern Virginia—they accounted for 60 percent of the gain in federal contract outlays while firms in the District and suburban Maryland captured 24.6 percent and 15.4 percent respectively.
- Seven agencies—the Departments of Defense, Health and Human Services, Treasury, Justice, Commerce as well as the General Services Administration and NASA—accounted for more than 84 percent of federal contracting activity in the Washington region in 2000. Each of these agencies awarded more than \$1 billion in contracts in 2000.

The report also documents changing procurement patterns. Compared with nine other metropolitan areas, none increased as dramatically as the National Capital Region, which experienced a 359 percent increase in federal procurement outlays between 1983 and 2001. In fact, with the exception of Prince William County, all jurisdictions within the National Capital Region experienced gains in federal procurement spending during the decade, with firms located in Northern Virginia capturing the greatest share. The next closest metropolitan area in dollar value is Los Angeles, which showed a decline of 27.5 percent during the same time period of 1983-2001.

Fuller concludes in his report that “given the significance of federal procurement spending, appropriate consideration should be given to federal contracting in planning for the future needs of federal agencies, their location, and their impacts on the growth and vitality of the private sector economy within the NCR.”

The National Capital Region, which is the area examined in *The Impact of Federal Procurement* study includes the District of Columbia; the city of Alexandria; Arlington, Fairfax, Prince William, and Loudoun Counties in Virginia; Prince George’s and Montgomery Counties in Maryland; and the cities and towns within these counties. The National Capital Region has a population of 4,062,112 and encompasses 2,412 square miles of which some 275 square miles are under federal jurisdiction.

More Information on *The Impact of Federal Procurement on the National Capital Region* is available upon request from the National Capital Planning Commission and is posted on our website, www.ncpc.gov.

The National Capital Planning Commission is the federal government’s central planning agency in the District of Columbia and surrounding counties in Maryland and Virginia. The Commission provides overall planning guidance for federal land and buildings in the region. It also reviews the design of federal projects and memorials, oversees long-range planning for future development, and monitors capital investment by federal agencies.

###