

The Impact of Federal Procurement on the National Capital Region

Federal Spending Fuels the Regional Economy

A new study released by the National Capital Planning Commission indicates that federal contract and procurement spending has been one of the most important forces driving the Washington-area economy during the past decade. From 1993 to 2001 federal procurement spending doubled from \$15.6 billion to \$31.5 billion and the number of contractor jobs grew from an estimated 194,500 to 389,000. In 2000, direct and indirect federal procurement spending accounted for an impressive 21 percent of total Gross

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Regional Product. This spending supported federal research and development, services, supplies, and equipment including software and electronic components. The federal government spends more in the National Capital Region (NCR) for goods and services than in any one state in the nation.

These 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 NCPC study reveals that during the 1990s, while 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 extraordinary 126 percent. While the number of federal workers in the region fell approximately 11 percent during that decade to 329,000 (12.7 percent of total regional employment), the total number of federal contract jobs, and the additional non-contract jobs they created, totaled more than 621,000 (20.3 percent of total regional employment) and generated personal earnings of \$17 billion in 2001.

The study, entitled *The Impact of Federal Procurement on the National Capital Region*, was prepared for the Commission by Stephen S. Fuller, University Professor and Director of George Mason University's Center for Regional Analysis. It reports the effects of federal contract spending from 1990 to 2000 and analyzes the impacts on business development and job and income generation. The study was undertaken in conjunction with NCPC's preparation of the *Comprehensive Plan for the National Capital*. The economic analysis is helping the Commission to develop planning and policy guidance and to better understand the changing role of the federal presence in the region and the way its spending extends into the surrounding economy.

Trends in Federal Procurement in the NCR, 1990-2000

Indicators	District of Columbia	Suburban Maryland	Northern Virginia	NCR
Value of Awards (in billions of current year dollars)				
1990	\$3.65	\$3.67	\$5.21	\$12.54
2000	\$7.56	\$6.11	\$14.74	\$28.41
% of change	107.1	66.6	182.8	126.6

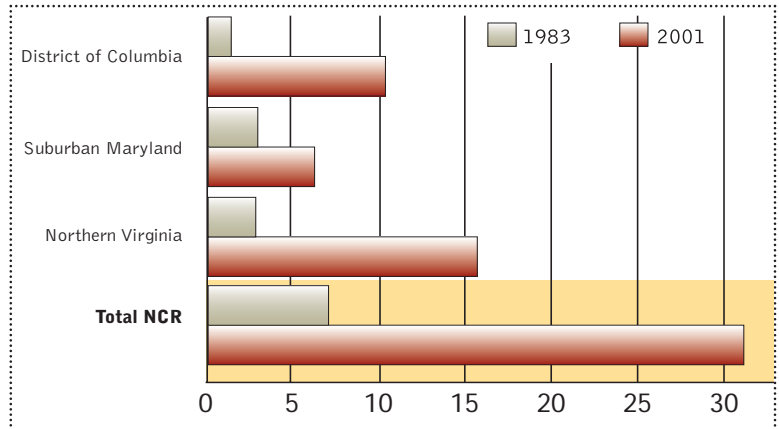
Sources: FPDC; GMU Center for Regional Analysis



Key Findings

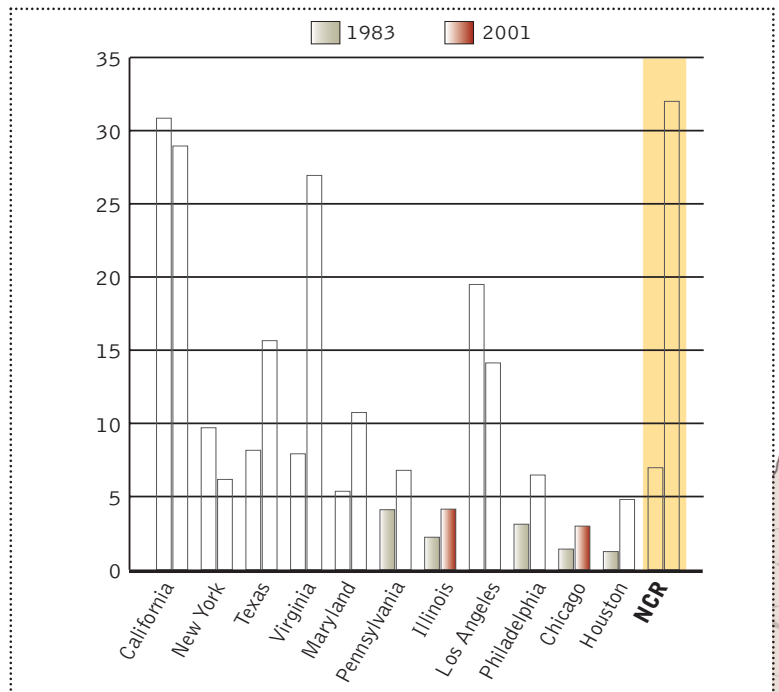
- Between 1990 and 2000, the total value of federal contracting increased 126.6 percent; the number of communities in which federal contracting occurred grew by 61.1 percent; and the number of contractors increased by 41.2 percent.
- The overall multiplier associated with federal procurement outlays 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 and accounted for 21 percent of the Regional Gross Product. This spending supported 621,643 jobs in the region and generated personal earnings totaling \$17 billion.
- The growth in federal contracting activity favored firms in Northern Virginia. Northern Virginia firms 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.

Procurement Trends in the NCR FY1983 and FY2001 (in billions of current year dollars)



Sources: US Census, Consolidated Federal Funds Report, 1983 and 2001

Changing Federal Procurement Patterns in the U.S. Selected States and Metropolitan Areas, FY1983 and FY2001 (in billions of current year dollars)



Sources: US Census, Consolidated Federal Funds Report, 1983 and 2001, GMU Center for Regional Analysis. *Percent change calculated from unrounded data.

Washington Region Leads the Nation in Attracting Federal Dollars

Many vendors providing services to the government choose to strategically locate near their client agencies, and this increased procurement spending has clearly benefited the Washington area. The metropolitan area receiving the second largest amount of federal spending is Los Angeles where between 1983 and 2001 federal procurement outlays decreased by 27 percent. In contrast, during the same period, federal contract spending in the Washington area increased by more than 126 percent. This shift can be explained by the government's move away from spending for supplies, R&D, 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.

With the exception of Prince William County, all jurisdictions within the National Capital Region experienced gains in federal procurement spending during the decade although these gains were uneven across the NCR with firms located in Northern Virginia capturing the greatest share of 60 percent.

Economic Impacts of Federal Procurement in the NCR, 2000

(in billions of 2000 dollars)

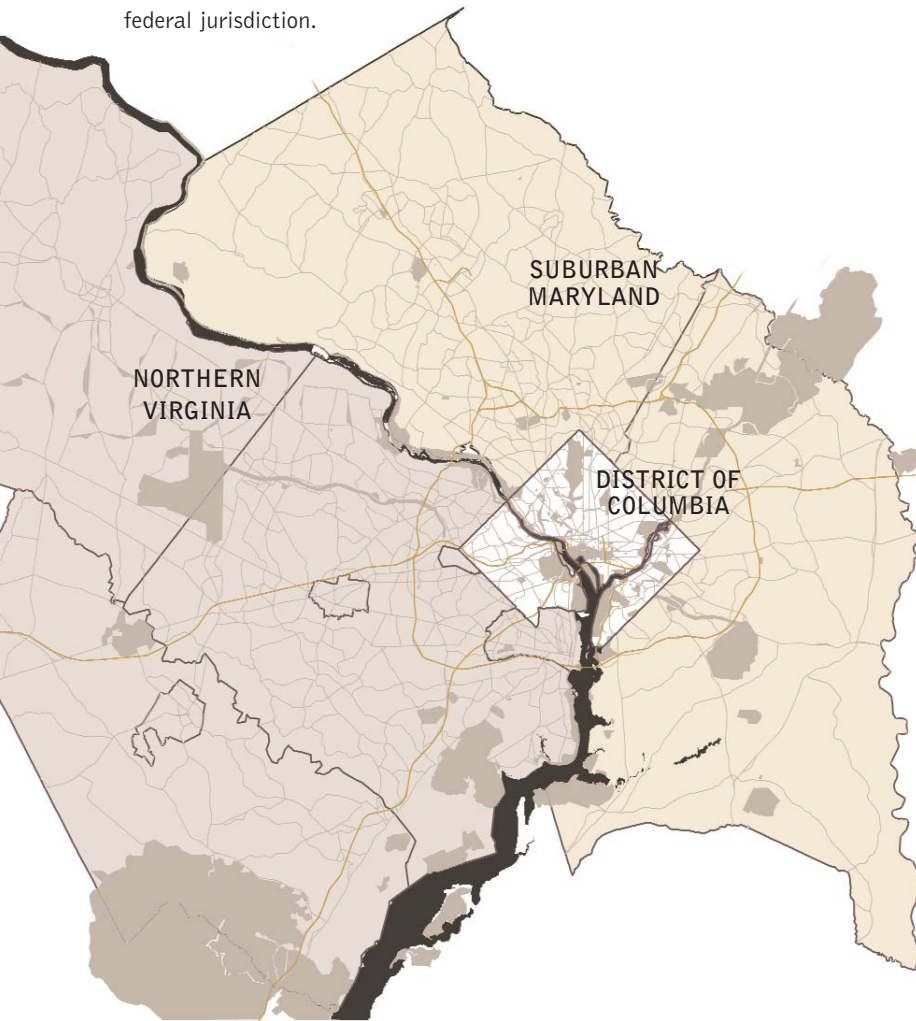
Impacts		Value
Value Total awards		\$28.409
Total Contribution to GRP		\$51.208
Percent of GRP		21.0
Total Jobs Supported*		621,643
District of Columbia	163,783	
Suburban Maryland	132,167	
Northern Virginia	325,589	
Total Personal Earnings		\$17.001

Note: Gross Regional Product (GRP) is the real value of goods and services generated in the region.

Sources: FPDC; GMU Center for Regional Analysis; U.S. Department of Commerce, Bureau of Economic Analysis. *Sub-state totals do not add up to NCR total due to cumulative rounding.

The National Capital Region

NCPC provides federal planning guidance in the National Capital Region, which is the area examined in its *Impact of Federal Procurement* study. The region includes the District of Columbia; Montgomery and Prince George's Counties in Maryland; and Arlington, Fairfax, Loudoun, and Prince William Counties in Virginia, as well as the cities and towns that are located within the geographic area bounded by those counties. The National Capital Region has a population of 4,062,112 (2000 Census) and encompasses 2,412 square miles, of which approximately 275 square miles are under federal jurisdiction.



Findings Assist Public and Private Sector Decision Makers

In the past, the role of the federal government in the region has been measured by the size of the federal workforce. The new NCPC study is helping policy makers and the business community to better understand that role in view of the impact of government procurement spending. The shift away from direct payroll and towards procurement spending by the federal government has important implications for locally based businesses and for state and local governments seeking to strengthen the area's competitiveness through tax, transportation, and workforce training policies. Recognition of the social and economic impact of federal procurement may also have policy implications for the way federal agencies direct their spending and for the way federal and regional planners work to accommodate these effects.

The findings underscore the potential of federal contracting as a vehicle to achieve community-based revitalization objectives. For example, the Small Business Administration has identified throughout the country "historically underutilized business zones" (HUBZones) based on median household income or unemployment levels. The NCPC study finds that many of these economically distressed areas have failed to capture more than a small percentage of procurement dollars. In the District of Columbia, only 0.2 percent of regional procurement dollars were awarded to HUBZone businesses in 2000.

The Nation's Capital is the seat of government and the symbolic heart of the country. 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.

The Federal Office Space Task Force

The Commission established its Federal Office Space Task Force in the late 1970s as part of its preparation of the Federal Employment Element of the Comprehensive Plan. As one of its early actions, the Task Force recommended that the historical distribution of federal jobs between the District (60 percent) and the outlying jurisdictions (40 percent) be maintained. The Commission reactivated the Task Force in the late 1980s to examine the General Services Administration's acquisition and building leasing programs and to sponsor a major conference on federal planning issues. The Task Force is currently working with staff to prepare the updated Federal Facilities and Employment Element of the Comprehensive Plan.

"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."

Arrington Dixon

Chairman, Federal Office Space Task Force

Arrington Dixon was appointed by the Mayor of the District of Columbia to the National Capital Planning Commission in 1995 and has led the Federal Office Space Task Force since 1997.

More Information

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. Appendices detailing patterns of federal procurement contract awards are also available upon request.

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The National Capital Planning Commission is the federal government's 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 construction projects, oversees long-range planning for future development, and monitors capital investment by federal agencies.

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