

The Economic Outlook for the Washington Area and the District of Columbia

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Executive Summary of Findings

The future of the District of Columbia economy will depend on its ability (1) to strengthen its residential base to support the growth of local-serving businesses and (2) to diversify its business base that is driven by external markets. Building a stronger residentially driven economy in the District of Columbia will require both increasing the City's resident population and its household incomes. Such a strategy will also have positive fiscal impacts on the District by broadening its tax base. Additionally, it will enable District residents to capture a larger share of the District's projected job growth reversing a growing dependency on suburban residents to satisfy the labor requirements of a growing economy.

The District of Columbia's externally driven economy has become more narrowly specialized over the past thirty years. Diversifying this base by building on the City's comparative advantages—especially its being the focus of the region's national capital functions—will be key to supporting the growth of high value added jobs going forward. In addition to economic diversification, policies that expand the District's share of the business activities centralized around the headquarters functions of the Federal government will be essential to preserving the District's central role within the rapidly expanding Washington metropolitan area economy.

The findings of this analysis of the past and future directions of the District of Columbia economy provide an understanding for debating and formulating strategies and policies designed to achieve the District's economic potentials to the benefit of its present and future residents while building a sound fiscal foundation to support the services required by a world class city. Key findings are as follows:

- The Washington area is projected to achieve a 58 percent increase (inflation adjusted) in its economic activity between 2000 and 2015 with the job base growing 29 percent and the resident population increasing 21 percent;
- To achieve this rate of economic growth (double the job gain), a disproportional share of new jobs going forward will be “good” jobs and the existing job base will shift increasingly towards higher value added, technology-intensive, knowledge-based economic activities;
- The key sectors driving the future economy in the Washington region will continue to be the federal government (and national capital functions), technology, construction, international, and hospitality—the interdependencies among these core sectors supports an economy that is less cyclical and more resilient than any other major metropolitan area economy in the nation;
- The District of Columbia's economy has become more narrowly specialized with new job growth occurring in only the services and government sectors and this pattern of growth is projected to continue;

- The District of Columbia economy has also become increasingly dependent on its surrounding suburban jurisdictions for its labor resources, which has had the simultaneous impact of undermining the City's fiscal base and its residentially based businesses, and this dependency on non-resident workers is projected to increase in the future;
- Federal procurement outlays are the fastest growing source of federal spending in the Washington area and the area's share of federal procurement spending nationally ranks first among all states and metropolitan areas; while the District economy has gained important benefits from this infusion of federal contract spending, its share of the area's annual increases has diminished in recent years and its mix of products, R&D, and services has not been as favorable to long-term economic growth as contract awards realized by suburban firms; and,
- The District of Columbia is projected to grow over the coming decade but at a rate well below that of the Washington region with its gains being more dependent on new federal government employment and directly related national capital functions.

The District of Columbia's economic future is tied to its non-local serving business base. Its expansion and diversification will provide the jobs and income needed to sustain and strengthen the economy's vitality. However, capturing the benefits of this growth and building a stronger fiscal base for the District will require that a growing proportion of the District's new jobs be filled by District residents. This will require that the capacity of the City to house more households is greatly expanded and that the educational and skills levels of DC residents are competitive with those of suburban residents.

By increasing the residential base of the District, so it can capture more of the City's non-local serving jobs, the new household income generated will strengthen the local tax base and increase the market potential for local-serving business development. Building more housing, spanning a broad price and product spectrum, and increasing the quality of the District's neighborhoods, especially the quality of public schools, are essential to strengthening the City's future economic and fiscal conditions.

Expanding the City's housing stock and achieving educational parity with the suburbs is key. Attracting 100,000 new residents to the District is a lofty goal. To achieve this goal would require increasing the District's housing stock by 43,500 units (the current household size in DC is 2.3 persons). While building that many new market-rate housing units may not be achieved in the short term, without substantially increasing in the number of new housing units the District's economy cannot achieve its fiscal and economic objectives. And, without better public schools and improved public services, selling or renting large numbers of new housing in the City could prove challenging.

Additionally, if the current residents of the City are to participate in the projected economic growth of the City and region, it will need continuing upgrading of education and skills levels. To complement long-overdue improvements in primary and secondary

education in the City, increased opportunities for continuing education and re-education aimed at older workers is critical or they may be left behind and bared from enjoying the benefits of one of the strongest and fastest growing economies in the nation.

The area's economy will achieve significant economic growth going forward. If the District of Columbia cannot achieve its full potential in the region's economy and participate in the substantial economic rewards that are projected to accrue to the residents of the Washington area over the next decade, it will be a failure of local public policy and private initiative and not a failure of the economy. The challenge for the District of Columbia and its public and private sector leaders will be to position the City and its residents to gain a larger share of this inevitable growth in jobs and income.

Overview

The growth of the Washington area economy, and most especially that of the District of Columbia, will continue to be closely linked to federal spending and the national capital functions linked directly and indirectly to the federal government. This spending will support job growth in the metropolitan area that exceeds its ability to supply workers from within its resident population. As a result of net in-migration generated in response to continued above-average job growth, the regional economy will reflect a two-pronged growth pattern going forward: (1) high-end job growth (professional and business services with a technology-intensive and knowledge-base foundation) supported by federal spending and related national capital functions and (2) population-serving job growth supported by increases in population combined with growth of purchasing power; these jobs will be seen largely in retail trade, construction, and health and education services. This two-prong pattern of future economic growth will be occur in each of the area's constituent jurisdictions with only their proportions of growth differing according to historic patterns and comparative advantages among jurisdictions.

This combination of job growth (sector mix) will support above-average multipliers as the breadth of residentially based services will capture a significant proportion of the spending potential generated by personal earnings resulting from employment growth in the non-residentially supported sectors. Both categories of jobs are projected to grow with the important distinction between these two categories being their average salaries; the wage differentials between the residentially supported jobs and non-residentially supported jobs ranges up from 200%; at the upper end of the professional and business service category this difference could be 400% or more.

Employment projections indicate that the area's workforce will grow by 863,000 new jobs between 2004 and 2015. Approximately one-half of these new jobs will be high value added and technology intensive with above-average earnings while the other half will have a below-average salary scale and be dependent on the local market for their gains. It is not whether there will be enough jobs in the future (there will be almost as many new jobs as new residents) but rather the important question is how will these jobs be distributed across the Washington area jurisdictions and how will the central functions currently focused within the District of Columbia perform in this regional context.

The Economic Outlook for the District of Columbia

The future growth pattern for of the District of Columbia can be calibrated by comparing the projected relative growth of its major economic and demographic variables. This comparison is presented in Table 1. By all measures, the District of Columbia is expected to grow substantially more slowly than its suburban neighbors extending a trend that has its origins in the post-WW II suburbanization and decentralization of the region. While the metropolitan area is expected to experience substantial economic and population growth, the District's role in the region is projected to become more narrowly focused with its growth rates lagging the region's gains.

Table 1

Forecast for the District of Columbia: 2000-2015
(GSP in billions of 2004\$; jobs & population in millions)

Economic Activity	2000	2015	% DC Change	% Area Change
Gross State Product	\$65.31	\$85.00	30.1	58.1
Total Employment*	766.05	838.10	9.4	29.3
Private Sector Jobs	518.70	544.47	5.0	31.4
Population**	571.64	657.55	15.0	21.1
Population***	571.64	550.10	- 3.8	21.1

Sources: NPA Data Services, Inc.; GMU Center for Regional Analysis

*all jobs inclusive of self-employed and part-time workers; **average of 2010 and 2020 projections from round 6.3 COG forecast; ***US Census forecast

As was indicated previously, the region's economic growth will reflect the combination of population-driven gains and gains linked to the region's national capital functions. The District's future economic activity will not benefit to the same degree as the suburban areas from these two market drivers as its population is not expected to increase sufficiently in the short run to support significant levels of job growth in residentially dependent sectors and the structure of its national capital functions has made the District more dependent on government employment and less well positioned to benefit from the

expected new growth in the private sector that had emerged to support the professional service and technical requirements of the federal government.

This imbalance and sectoral dependence is seen in the District's expected source of future job growth: private sector job growth is projected at 5.0 percent compared to 31.4 percent for the metropolitan area. As shown in Table 3, employment in the government sector is projected to grow 20.3 percent in the District, a rate similar to projected government job growth in the metro area, but the composition of this job growth is very different. In the District, government job growth is tied to expansion of the federal government while in the suburbs it is tied to population growth. This distinction further underscores the differences between future economic growth in the District and the suburbs.

Still, the economy of the District is projected to experience real growth of 30 percent over this period. In order to achieve economic growth that substantially exceeds job and population growth requires increased economic interdependence between the city and the suburbs—inter-regional commuting will likely increase as will the magnitude and significance of inter-jurisdictional business and vendor transactions. One measure of this emerging pattern of economic integration is seen in the growing magnitude of income that is generated within the City's economy that leaks out to the remainder of the metropolitan area economy and beyond (e.g., to the jurisdictions of the Baltimore metro area). This growing dependence on non-resident workers was confirmed by the 2000 Census that established that 71.6percent of the workers in the District of Columbia were non-residents, up from 67.6percent in 1990.

The income leakage that this growing dependence represents is seen in Table 2. The share of net income (outflow of earnings by non-resident workers minus inflow of earnings of DC residents working in suburbs) generated within the District of Columbia economy by non-residents—commuters---in 1970 was 41 percent. By 2000 this share had increased to 56 percent. Projections for 2005 and 2015 show this percentage continuing to increase. This trend suggests that (1) a growing economy in the District requires labor resources it cannot produce from within its small (and declining) population base and/or (2) that the resident workforce does not have the skills required by the District's evolving economy. The first explanation is supported by the fact that the District's job base is larger than its population base. The second explanation is supported by the nature of recent job growth and the labor force trend in the District that show a decline in the number of residents holding jobs at the same time that the District's job base is expanding. Regional economic integration offers opportunities for the growth of both the City's economy and number of residents who are gainfully employed.

Table 2

Share of Total Income Generated in the
District of Columbia Lost to Commuting, 1970-2005
(in billions of 2004 \$s)

Years	Total Earnings	Percent Non-Resident*
1970	\$30.249	41.1
1980	36.979	55.2
1990	47.718	54.3
2000	56.220	56.0
2005	61.621	59.3
2015	73.167	61.4

Sources: NPA Data Services, Inc.; GMU Center for Regional Analysis. *reflects the net of income earned by commuters into District of Columbia less the income earned by residents who worked outside of the District; this percentage is the net outflow of income generated from within the District of Columbia economy.

Sector Growth Patterns

The narrowing of the District’s sectoral structure and economic specialization is evident in the projected shifts of jobs between sectors (winners and losers), as shown in Table 2. Projected job growth in the District will be limited to two sectors—services and government. These two sectors are presently the source of the largest share of District jobs (83%) and are the only source of net new jobs (88,100) over the forecast period. With these gains these two sectors will account for 86 percent of all District jobs by 2015. The District’s other sectors are projected to contract losing a combined total of 14,300 jobs (job categories not shown separately are projected to add 2,200 jobs by 2015). These losses, even though relatively small, confirm the narrow base of the District’s economy and show it to becoming even more narrowly distributed in the future.

Table 3

Employment Growth in the District of Columbia By Sector, 2001-2015
(jobs in thousands)

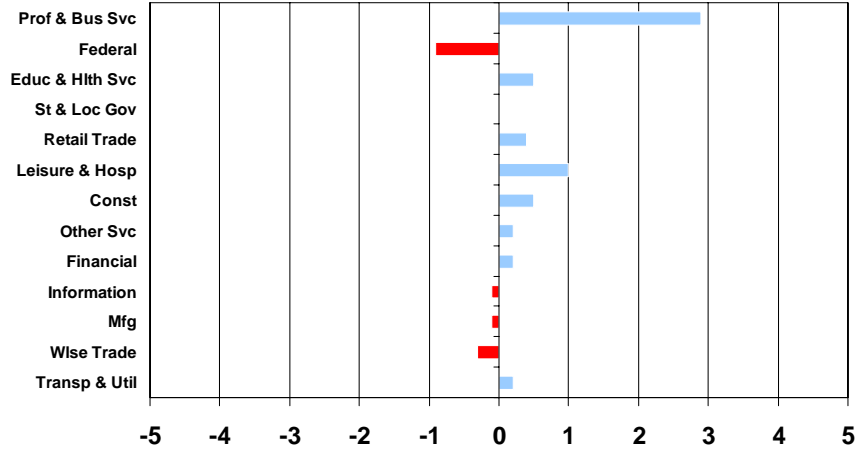
Sector	2001	2015	% DC Change	% Area Change
Total Employment*	762.1	838.1	10.0	28.1
Services	388.6	427.4	10.0	36.5
Government	242.9	292.2	20.3	20.3
Federal Civilian	182.8	231.5	26.6	24.3
Military	23.4	24.7	5.8	4.5
State/Local	36.7	37.0	1.0	21.0
Retail	20.4	19.6	- 3.4	24.5
FIRE	39.2	36.6	- 6.5	18.2
Transport/Utilities	36.2	28.3	- 21.8	26.0
Construction	13.8	13.0	- 6.4	24.8
Manufacturing	3.9	2.8	- 28.1	1.8
Wholesale Trade	4.8	3.7	- 24.2	31.0

Sources; NPA Data Services, Inc.; GMU Center for Regional Analysis
*inclusive of self-employed and part-time workers; sum of sectors do not add up to total as unclassified and other jobs not listed separately. Reflects NAICS classification available beginning in 2001 and going forward.

This pattern of future job growth is already in evidence. For the most recent twelve-month period (July 2003-2004), the District of Columbus generated 7,000 new jobs (8.7 percent of the total) while the metropolitan area was adding 80,600 net new jobs. In comparison, the five counties of Suburban Maryland added 18,200 jobs while job growth in Northern Virginia totaled 38,100. Not only did each sub-state portion of the metropolitan area account for a different scale of job growth over the past twelve months, the sectors in which this job growth occurred also varied across sub-state areas. These different job growth patterns are presented in the accompanying charts.

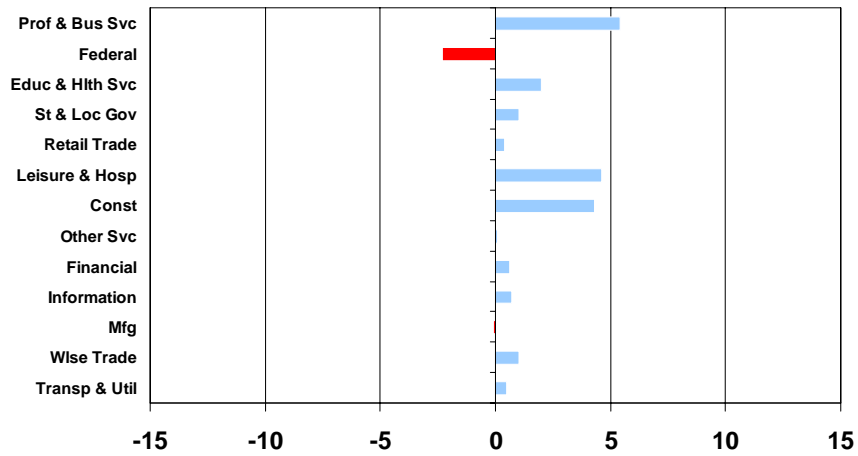
**Figure 1: July 03 – July 04
Job Change By Sector - DC
(000s)**

Total = 7,000



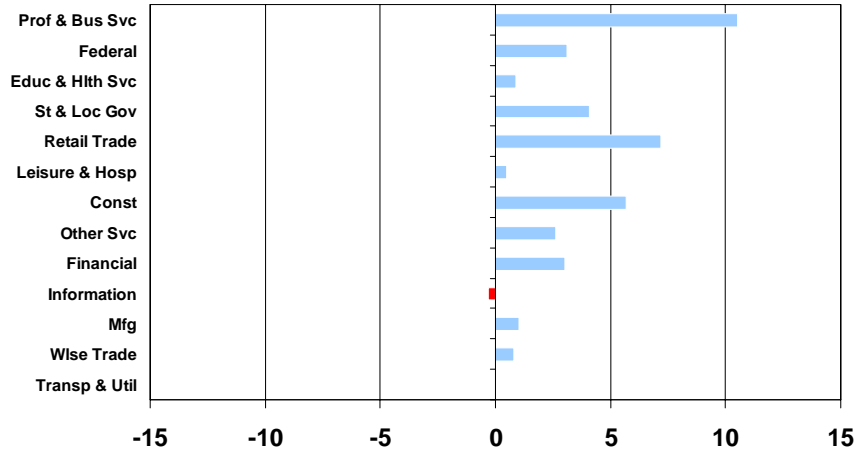
**Figure 2: July 03 – July 04
Job Change By Sector – Sub MD
(000s)**

Total = 18,200



**Figure 3: July 03 – July 04
Job Change By Sector – No VA
(000s)**

Total = 38,100



In the District, professional and business services (accounting for the largest number of total jobs in the employment base) generated the largest number of new jobs contributing approximately half of the net gain. Seven other sectors generated gains over this twelve-month period while four sectors experienced losses and one held steady. This twelve-month slice of the year (July to July) was not significantly different from previous twelve-month periods, except that federal employment has been marginally positive over the past several years.

What this pattern shows is: (1) the strength of the District economy continues to be professional and business services; (2) the federal government as an employer continues to be a major source of employment but not so much as for new jobs but rather for replacement jobs; the hospitality and leisure services service is growing and has regained its strength following the September 11, 2001 terrorist attack; and retail trade is expanding slowly in response to a healthier tourist market and to gains in disposable income among city residents. Still, it is clear that the District's economy is less diversified in contrast to the Suburban Maryland and Northern Virginia economies in which job gains were experienced across almost all sectors and in proportion to the sector's relative importance as a source of jobs within the overall economy. Northern Virginia showed the best balance in this regard among the area's three sub-state portions.

Federal Contracting is Shaping the Economy's Future

While it is clear that the District's future job growth and its economic vitality will be dependent on the continued presence of the federal government within the City's boundaries and the continued location and expansion of complementary national capital functions in the District (e.g., hospitality industry, international and membership organizations, professional services linked to regulatory and lobbying functions), the primary driver of new job growth in the Washington region since 2001 has been increased federal procurement outlays driven by new procurement spending associated with the War on Terrorism.

As the federal government increases its outsourcing activities, a trend dating back into the mid-1980s, it has the potential for becoming less geographically tied to the District of Columbia. In order to retain the federal government and its related activities as the central focus of the District economy, the District will need to redirect its attention to federal contractors. Besides helping to anchor the federal government and its national capital functions within the District, capturing a larger share of the federal contractor dollars flowing into the metropolitan area will also strengthen the District's business base and its potential for future commercialization of services initially marketed to the federal government by local federal contractors.

The magnitude and significance of federal contracting to the Washington area and District of Columbia economies has been established (Fuller, "The Impact of federal procurement in the National Capital Region," NCPC, October 2002, pp. 36-37). This research found that the growth of the area's economy (its gross regional product) had a 0.956 correlation with changes in federal spending for payroll and procurement with procurement spending being twice as important in explaining this correlation as payroll. Jurisdictions that attracted federal contractors and captured an increasing share of the gains in federal procurement spending in the Washington area experienced faster economic growth than jurisdictions whose shares declined.

The jurisdictional distribution of federal procurement spending in the Washington area in FY 2002 and 2003 is presented in Appendix Table 1. This table shows that firms located and doing their work in the District of Columbia received contract awards totaling \$10.6 billion during 2002 and \$11.1 billion during 2003 for a gain of 4.5 percent. While federal contracting activity in the District increased, its gain fell well below the regional increase of 16.9 percent and lagged gains in Suburban Maryland (12.0%) and Northern Virginia (26.6%). As a result, the District's share of total federal procurement outlays in the region fell from 29.4 percent to 26.3 percent. This downward trend in the share of federal procurement spending being captured by District firms has a long history but has accelerated in the last several years.

The mix of federal procurement awards received by District firms has been shown to be less favorable in terms of their economic impacts (lower multipliers) than federal procurement awards captured by suburban firms. While this mix favors the services sector (see Appendix Table 2), these services tend to be directed to facilities

(maintenance, utilities, leasing, communications, equipment leasing and repair) and personnel (training, health and other services) and not to program operations characterized by the higher value added, technology-intensive and knowledge-based services dominate.

The sources of federal contracting also impact the mix of products and services being purchased and the magnitudes of contracting activity. While the Department of Defense is not as dominant among major federal agencies as a source of federal procurement spending as it was in the Eighties, its \$18.5 billion in awards to local firms during 2003 represented the largest source (44%). DOD procurement spending increased \$2.6 billion from 2002 or 16.6 percent, accounting for 43 percent of the year's gain. In the District of Columbia, DOD contracting totaled only \$1.75 billion during 2003 or 15.8 percent of all federal awards to District firms and was down 8 percent from 2002. In contrast, DOD accounted for \$14.2 billion in awards to Northern Virginia firms or 64 percent of its total with firms in Northern Virginia experiencing a \$2.8 billion increase in DOD award value accounting for more than the area's total gain in DOD awards. The District's distribution of procurement awards by federal agency is presented in Appendix Table 3.

The distribution of procurement awards by value size in the District reflects a pattern that is slightly skewed towards smaller sizes compared to the area-wide averages. Differences between 2002 and 2003 are evident as well but these are largely explained by changes in reporting rather than a major increase in smaller-size awards. Comparing the District's 2003 award size classes to the metropolitan area distribution shows that more than 50 of the awards to DC firms (53.4%) had contract values less than \$50,000. This compared to 46 percent for the entire metropolitan area. These low-value awards accounted for just 3.4 percent of the total value in the District. In contrast, large-value awards, awards of \$5 million or more, accounted for one-half percent of all awards by number but represented 41 percent of their total dollar value. This pattern is presented in Appendix Table 4.

The major contractors located in the District of Columbia (and indicating that they are doing their contract work in the District) are listed in Appendix Table 5. These 138 firms had at least one contract of \$5 million in value. When all of their other value awards are totaled, these firms accounted for \$6.3 billion or 56.8 percent of all federal contract work being done in the District. These awards to 138 federal contractors in the District accounted for 9.2 percent of its Gross State Product and amount similar in magnitude to the District's entire hospitality industry. This concentration of federal procurement awards in just a few large firms or divisions of firms suggests that the economic development benefits of federal contracting to DC-based businesses are very narrowly distributed. This increases the vulnerability of the District's economy to changes in federal procurement policy, shifts in agency procurement priorities, and differences in operating costs among local jurisdictions. Clearly, current federal procurement patterns and policies affecting the District of Columbia have not been not favorable to its economic diversification, to the development of new and expanding small businesses or for building a basis for long-term economic growth.

Economic Forecast for the District of Columbia: 2015

The overall economy of the District of Columbia is projected to experience slow expansion over the coming decade. The economy started the current decade with a relatively strong gain in spite of the national recession that spanned the second through fourth quarters of 2001 including the immediate impact of the September 11th terrorist attack. The lingering effects of 9/11 on the District's hospitality industry explain its economic contraction in 2002 even though federal spending in response to the War on Terrorism accelerated during the year. This apparent contradiction results from the lag effects of both 9/11 and the increased federal spending on the District's economy.

The impacts of the gains in 2002 and 2003 federal spending are seen in the City's economic turn around in 2004 and that is projected to continue in 2005. However, following relatively strong gains in 2004 and 2005, the District's economy is expected to slow its expansion but will sustain a moderate growth rate well extending to 2015. This growth pattern is presented in Table 4.

Table 4

District of Columbia Economic and Employment Forecast: 2001-2015
(GSP in billions of 2004 \$s; Jobs in thousands)

Year	Gross State Product	Percent Change	Total Jobs	Percent Change	Private Sector	Percent Change	Service Sector	Percent Change
2001	\$66.636	2.03	762.1	- 0.52	519.2	0.94	388.6	1.08
2002	66.149	- 0.73	745.2	- 2.21	504.6	- 2.82	379.2	-10.15
2003	68.279	3.22	750.1	0.66	503.2	- 0.26	380.0	0.22
2004	69.870	2.33	755.4	0.70	504.2	0.19	382.5	0.65
2005	71.586	2.46	762.4	0.93	506.7	0.51	386.0	0.92
2006	72.823	1.73	768.2	0.75	508.6	0.37	388.9	0.76
2007	74.052	1.69	774.6	0.83	511.2	0.49	392.3	0.86
2008	75.178	1.52	780.5	0.76	513.6	0.47	395.5	0.82
2009	76.404	1.63	787.4	0.88	516.7	0.61	399.1	0.92
2010	77.820	1.85	796.0	1.10	521.2	0.87	403.8	1.16
2011	79.201	1.77	804.2	1.00	525.5	0.82	408.3	1.11
2012	80.545	1.70	811.9	1.03	529.5	0.77	412.5	1.03
2013	81.960	1.76	820.1	1.01	534.1	0.86	417.2	1.12
2014	83.444	1.81	828.9	0.97	539.0	0.93	422.1	1.12
2015	84.999	1.86	838.1	1.11	544.5	1.00	427.4	1.25

Sources: NPA Data Services, Inc.; GMU Center for Regional Analysis.

Notes: percent change calculation based on unrounded values; Total jobs include all civilian and military workers full- and part-time, self-employed, and working in start-ups

and very small firms, documented and undocumented. Gross state product reflects the value of goods and services produced within the District of Columbia. Sector definitions beginning in 2001 reflect NAICS definitions (e.g., services includes the hospitality industry inclusive of restaurants that had been previously been counted with retail trade).

The District of Columbia's economy has been becoming more narrowly specialized over the past three decades. The emerging sector strengths upon which the District economy depends are: its national capital functions including direct federal spending, spending of associations, lobbyists, and professionals representing the interests of their clients in cases at the federal level (lawyers would be included in this grouping) and international activities (both governmental and business-based) and the hospitality industry. Additionally, health and education have become an increasingly important force in the local economy.

In contrast to the nineties, the government sector has again become an important source of jobs. Where federal employment in the City declined by 18 percent from its 1992 peak through 2002, it is now expanding. Projections show federal sector adding 40,000 new jobs between 2002 and 2012 bringing its total back to its 1992 level. Annual gains in federal employment in the District are projected to average 1.5 percent from 2012 to 2015. Even though federal job growth is unrelated to the health of the national economy, that is, government employment is inelastic, it has become a future source of new jobs in the City and will be a positive force underpinning the District's economy going forward.

The private sector, which normally is the source of the economy's acceleration during the early stages of an expansion, is not projected to experience any growth spurts in the District. This is due primarily to the nature of the private sector in the District; it is not linked to national or global markets and therefore does not benefit from changes in consumer demand or business investment, as do the private sector or non-government based economies. Still, the service sector is projected to outperform the aggregate private sector reflecting the expected strong gains in management and business service firms and the continuing strength of the hospitality industry. While neither sub-sectors will be explosive sources of job growth, they will increase their already significant share of the annual jobs gains in the District from 47.1 percent in 2004 to 57.6 percent of the annual job growth by 2015.

As in the past, the future of the District of Columbia economy is inextricably tied to federal government spending and to its attraction for business activities supporting the national and international functions of the capital. While federal employment growth is projected to contribute to the District's economic growth over the next ten years, federal procurement contracting offers significantly greater potentials for future business development and diversification of the local economy. However, current federal procurement trends in the District have not positioned the District's economy to achieve this potential and will require aggressive actions on the parts of both government and business to reposition the local business base to better compete for this rapidly expanding source of future economic growth.

Economic growth based on increased demands for goods and services by District residents will depend on increasing the residential base of the District and increasing household incomes. While the City's household income structure is improving as reflected in gains in the residentially supported economy, the required population gains have not as yet been achieved. As the City's population grows over the coming two decades, the local-serving business base will enjoy renewed growth.

In the short run, the District's economic future is tied to its non-local serving business base. Success in expanding this base, broadening its mix of services and markets, and retaining the City's historic comparative advantages will be critical to the vitality of the District of Columbia's economy over the coming ten years and beyond.

Appendix Tables

**Table 1: Federal Procurements by Substate Area, FY2002 and FY2003
(Dollars in Thousands)**

Area	FY2002	FY2003	Change	Percent Change
Washington, DC	10,616,135	11,099,716	483,581	4.56%
Calvert County	4,906	8,114	3,208	65.39%
Charles County	34,831	55,173	20,342	58.40%
Frederick County	382,735	793,347	410,612	107.28%
Montgomery County	4,716,931	4,855,565	138,634	2.94%
Prince Georges County	2,802,755	3,180,228	377,473	13.47%
Suburban Maryland	7,942,158	8,892,427	950,269	11.96%
Alexandria City	1,413,234	1,773,625	360,391	25.50%
Fairfax City	2,305,761	2,709,275	403,514	17.50%
Falls Church City	934,320	1,269,668	335,348	35.89%
Manassas City	508,086	516,039	7,953	1.57%
Manassas Park City	997	418	-579	-58.07%
Arlington County	3,704,737	4,513,445	808,708	21.83%
Fairfax County	7,324,595	9,581,069	2,256,474	30.81%
Loudoun County	926,824	1,543,832	617,008	66.57%
Prince William County	372,144	251,143	-121,001	-32.51%
Stafford County	20,498	9,243	-11,255	-54.91%
Northern Virginia	17,511,196	22,167,757	4,656,561	26.59%
Washington PMSA Total	36,069,489	42,159,900	6,090,411	16.89%

Note: Series may not sum to Totals due to independent rounding.

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

**Table 2: Federal Procurements By Substate Area and Type,
FY2002 and FY2003
(Dollars in Thousands)**

Type of Procurement	FY2002		FY2003		Percent Change FY'02 - FY'03
	Amount	Percent of Total	Amount	Percent of Total	
Washington, D.C.					
Research & Development	832,809	7.84%	370,294	3.34%	-55.54%
Services	8,478,945	79.87%	9,471,105	85.33%	11.70%
Supplies & Equipment	1,304,381	12.29%	1,258,316	11.34%	-3.53%
TOTAL	10,616,135	100.00%	11,099,716	100.00%	4.56%
Suburban Maryland					
Research & Development	1,473,099	18.55%	1,412,663	15.89%	-4.10%
Services	4,816,818	60.65%	5,929,253	66.68%	23.09%
Supplies & Equipment	1,652,241	20.80%	1,550,511	17.44%	-6.16%
TOTAL	7,942,158	100.00%	8,892,427	100.00%	11.96%
Northern Virginia					
Research & Development	2,164,435	12.36%	2,498,694	11.27%	15.44%
Services	12,162,102	69.45%	16,164,383	72.92%	32.91%
Supplies & Equipment	3,184,659	18.19%	3,504,680	15.81%	10.05%
TOTAL	17,511,196	100.00%	22,167,757	100.00%	26.59%
Washington PMSA					
Research & Development	4,470,343	12.39%	4,281,651	10.16%	-4.22%
Services	25,457,865	70.58%	31,564,741	74.87%	23.99%
Supplies & Equipment	6,141,281	17.03%	6,313,507	14.98%	2.80%
TOTAL	36,069,489	100.00%	42,159,900	100.00%	16.89%

Note: Series may not sum to Totals due to independent rounding.

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

**Table 3: Federal Procurements by Agency, Washington, D.C.,
FY2002 and FY2003
(Dollars in Thousands)**

Agency	FY2002	FY2003	Change	Percent Change
Defense	1,906,239	1,753,101	-153,138	-8.03%
Nondefense	8,709,896	9,346,616	636,720	7.31%
Agriculture	128,802	243,264	114,462	88.87%
Commerce	59,644	64,227	4,583	7.68%
Education	236,378	221,047	-15,331	-6.49%
Energy	42,922	41,109	-1,813	-4.22%
Environmental Protection Agency	68,973	32,684	-36,289	-52.61%
Executive Office of the President	264,827	1,127,117	862,290	325.61%
General Services Admin.	2,668,226	2,248,022	-420,204	-15.75%
Health & Human Services	358,969	293,726	-65,243	-18.18%
Housing & Urban Development	360,858	285,901	-74,957	-20.77%
Interior	96,895	328,471	231,576	239.00%
Justice	871,990	866,850	-5,140	-0.59%
Labor	190,720	191,258	538	0.28%
National Aeronautics and Space Agency	62,519	77,177	14,658	23.45%
State	379,533	454,206	74,673	19.67%
Transportation	1,055,190	869,725	-185,465	-17.58%
Treasury	1,284,895	601,405	-683,490	-53.19%
Veterans' Affairs	164,770	253,572	88,802	53.89%
Other Agencies	413,785	1,146,855	733,070	177.16%
Total Procurements	10,616,135	11,099,716	483,581	4.56%

Note: Series may not sum to Totals due to independent rounding.

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

APPENDIX TABLES

**Table 1: Federal Procurements by Substate Area, FY2002 and FY2003
(Dollars in Thousands)**

Area	FY2002	FY2003	Change	Percent Change
Washington, DC	10,616,135	11,099,716	483,581	4.56%
Calvert County	4,906	8,114	3,208	65.39%
Charles County	34,831	55,173	20,342	58.40%
Frederick County	382,735	793,347	410,612	107.28%
Montgomery County	4,716,931	4,855,565	138,634	2.94%
Prince Georges County	2,802,755	3,180,228	377,473	13.47%
Suburban Maryland	7,942,158	8,892,427	950,269	11.96%
Alexandria City	1,413,234	1,773,625	360,391	25.50%
Fairfax City	2,305,761	2,709,275	403,514	17.50%
Falls Church City	934,320	1,269,668	335,348	35.89%
Manassas City	508,086	516,039	7,953	1.57%
Manassas Park City	997	418	-579	-58.07%
Arlington County	3,704,737	4,513,445	808,708	21.83%
Fairfax County	7,324,595	9,581,069	2,256,474	30.81%
Loudoun County	926,824	1,543,832	617,008	66.57%
Prince William County	372,144	251,143	-121,001	-32.51%
Stafford County	20,498	9,243	-11,255	-54.91%
Northern Virginia	17,511,196	22,167,757	4,656,561	26.59%
Washington PMSA Total	36,069,489	42,159,900	6,090,411	16.89%

Note: Series may not sum to Totals due to independent rounding.

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

Table 2: Federal Procurements By Substate Area and Type, FY2002 and FY2003
(Dollars in Thousands)

Type of Procurement	FY2002		FY2003		Percent Change FY'02 - FY'03
	Amount	Percent of Total	Amount	Percent of Total	
Washington, D.C.					
Research & Development	832,809	7.84%	370,294	3.34%	-55.54%
Services	8,478,945	79.87%	9,471,105	85.33%	11.70%
Supplies & Equipment	1,304,381	12.29%	1,258,316	11.34%	-3.53%
TOTAL	10,616,135	100.00%	11,099,716	100.00%	4.56%
Suburban Maryland					
Research & Development	1,473,099	18.55%	1,412,663	15.89%	-4.10%
Services	4,816,818	60.65%	5,929,253	66.68%	23.09%
Supplies & Equipment	1,652,241	20.80%	1,550,511	17.44%	-6.16%
TOTAL	7,942,158	100.00%	8,892,427	100.00%	11.96%
Northern Virginia					
Research & Development	2,164,435	12.36%	2,498,694	11.27%	15.44%
Services	12,162,102	69.45%	16,164,383	72.92%	32.91%
Supplies & Equipment	3,184,659	18.19%	3,504,680	15.81%	10.05%
TOTAL	17,511,196	100.00%	22,167,757	100.00%	26.59%
Washington PMSA					
Research & Development	4,470,343	12.39%	4,281,651	10.16%	-4.22%
Services	25,457,865	70.58%	31,564,741	74.87%	23.99%
Supplies & Equipment	6,141,281	17.03%	6,313,507	14.98%	2.80%
TOTAL	36,069,489	100.00%	42,159,900	100.00%	16.89%

Note: Series may not sum to Totals due to independent rounding.

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Table 3: Federal Procurements by Agency, Washington, D.C., FY2002 and FY2003
(Dollars in Thousands)

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Total Procurements	10,616,135	11,099,716	483,581	4.56%

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