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Statistical Brief

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Federal Contracts Are Big Business

Contracts were used to commit 1 of every 7 Federal budget dollars in 1990. Census Bureau reports detail virtually all kinds of Federal spending, including awards to prime contractors in States, counties, and many localities. This Brief highlights contract awards for fiscal year 1990 and in the past decade.

- Awards grew each year from 1981 to 1986, averaging 10 percent per year and reaching \$205 billion in 1986.
- However, between 1986 and 1989, total awards declined an average of 4 percent annually and dipped to \$181 billion.
- Defense needs – Over 70 percent of all Federal contracts in the 1980's were awarded by defense agencies, and recent events in the Middle East and Soviet Union make future defense needs uncertain.
- Domestic priorities – Awards by civilian agencies increased from 21 to 28 percent of all awards in the past 5 years, and spending priorities such as the environment and research and development seem likely to remain high.

Awards Show Recent Increase

Federal contracts are used to purchase everything from space stations to cleanup services. For fiscal year 1990, the value of all Federal contracts for goods and services amounted to nearly \$190 billion. These awards:

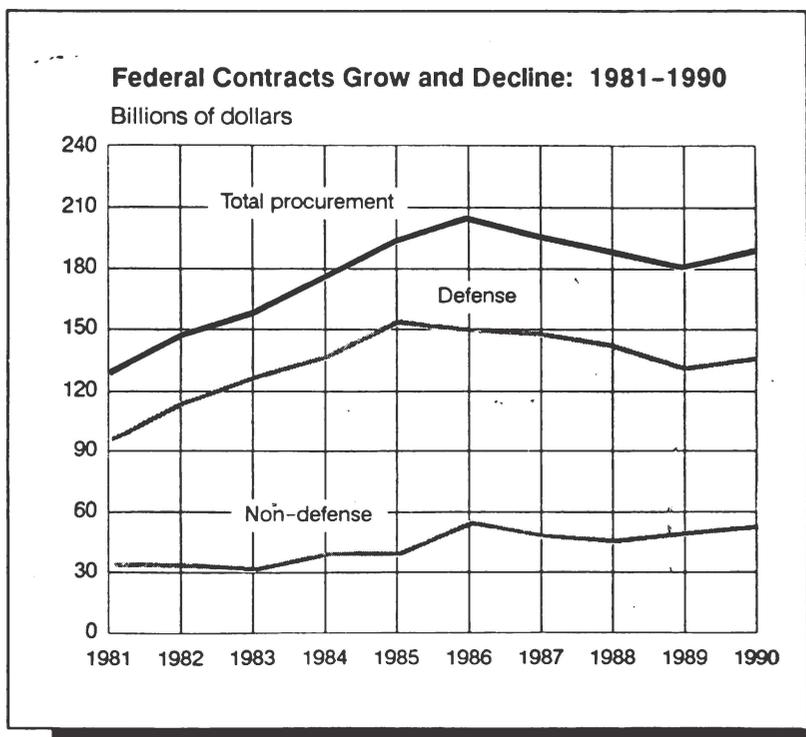
- Totaled 4 percent more than the previous year.
- Accounted for 15 percent of all Federal budget obligations.

However, "big" doesn't always mean "bigger." Total Federal contract awards were larger in 1990 than 10 years earlier, but didn't show increases in each year. The 1980's saw periods of both growth and decline:

What About the Future?

It is too soon to know whether the 1990 increase signals another period of Federal contract growth or an interruption in the recent decline. Future award levels will reflect underlying Federal program cross-pressures. To illustrate:

- Budget restraints – Federal budget deficits remain large and persistent, and contract awards will continue to reflect the results of actions



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to limit and redirect Federal spending.

In the past decade, contracts have grown less than other kinds of Federal budget commitments. Awards showed net 9-year growth of "only" 45 percent. Many other types of Federal spending have increased more. For example:

- Federal payments to individuals increased over 90 percent, reaching a 1990 total of nearly \$500 billion.
- Net interest on the national debt rose nearly 170 percent, to a total of \$184 billion.

California Is the Top State

Businesses in every State and over 3,000 counties received Federal prime contract awards in fiscal year 1990. However, the value of contract awards varied greatly from area to area reflecting differences in business location, size, and purpose.

California has been the top-ranked State in total awards each of the past 10 years. In 1990, California's prime contractors received awards worth \$29 billion, or nearly one-sixth of all Federal procurement. Also in 1990:

- Contract awards in the next four highest-award States totaled over \$38 billion, or one-fifth of all prime contracts.
- Contract awards in the five lowest-award States totaled less than \$1 billion, or 1 percent of all awards.

Similarly, Federal contracts were concentrated at the county level. For example, Contracts in the fifth highest-award county — Tarrant County, TX — totaled more than those in each of 36 other States.

Per Capita Awards Rankings Differ

Awards per person (or "per capita") also vary by area, but the highest and lowest ranked States and counties are different than for total awards.

In 1990, Federal contracts averaged \$747 for every person in the U.S.

- Highest ranking States were: New Mexico (\$2,149), Virginia (\$1,643) and Massachusetts (\$1,464).
- Awards per capita were even more disparate for counties than for States.

This is one of a series of occasional reports from the Census Bureau that provide timely information about our people and economy. These data come from the annual Consolidated Federal Funds Report and are subject to a variety of nonsampling errors. See a volume of the most recent annual report for a complete discussion of statistical methods, quality, and limitations.

For Further Information on This Brief:

Contact
Dave Kellerman
301-763-4403

See
Federal Expenditures by State for Fiscal Year 1990; Consolidated Federal Funds Report, Fiscal Year 1990, Volume I, County Areas; and Consolidated Federal Funds Report, Fiscal Year 1990, Volume II, Subcounty Areas.

For Further Information on Other Briefs:

Contact
Robert Bernstein
301-763-1584

Per Capita Awards Differ Widely by State: 1990

