

Economic Impact Statement

Office of Legislative Oversight

Bill 20-20

Administration – Office of the County Executive – Business Advancement Team – Established

SUMMARY

The Office of Legislative Oversight (OLO) believes Bill 20-20 would likely have a positive impact on the Montgomery County economy. However, the magnitude of this impact cannot be anticipated.

BACKGROUND

In 2015, the County abolished the Department of Economic Development and transferred its duties across several different departments and offices.¹ This administrative restructuring has “caused a lack of continuity” in the County’s business support services.² At the request of the County Executive, the Council introduced Bill 20-20 on April 14, 2020. According to the County Executive, Bill 20-20 would “bring the totality of [County] resources together with a strategic focus to coordinate delivery of County services in support of business development and related projects.”³ The bill would attempt to improve the County’s business support services by consolidating these services under the newly named Business Advancement Team, which would include a position called “Small Business Navigator.”⁴

The Business Advancement Team and Small Business Navigator would serve as the interface between small businesses and the County. The duties of the Small Business Navigator would include: advising County leadership on how to support small business compliance with County regulations⁵; advising businesses, as well as creating a database with information, on how to comply with these regulations; and identifying changes to these regulations to “improve turnaround, eliminate duplication, resolve conflicts in authority, and eliminate unnecessary regulations.”⁶ The Team would be responsible for the following duties: providing a wide-range of constituent services for businesses operating or

¹ Robert H. Drummer, Senior Legislative Attorney, to County Council, Memorandum, June 26, 2015, Montgomery County Council, Maryland.

² Robert H. Drummer, Senior Legislative Attorney, to County Council, Memorandum, April 9, 2020, Montgomery County Council, Maryland.

³ Marc Elrich, County Executive, to Sidney Katz, President, Montgomery County Council, Memorandum, March 31, 2020, Office of the County Executive, Montgomery County, Maryland.

⁴ Drummer, April 9, 2020 Memorandum.

⁵ For an overview of County business regulations, see [Montgomerycountymd.gov, Business Regulations & Laws, Montgomery County Government, Maryland, https://www.montgomerycountymd.gov/Biz-Resources/Regulatory-Environment.html](https://www.montgomerycountymd.gov/Biz-Resources/Regulatory-Environment.html) (accessed April 27, 2020).

⁶ Where Bill 20-20 refers to “requirements and regulations,” this statement uses “regulations” as shorthand. Montgomery County Council, Bill No. 20-20 Administration – Office of the County Executive – Business Advancement Team – Established, Montgomery County, Maryland, 2-3.

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planning to operate in the County; serving as a “point of contact” for businesses; and facilitating business interaction with other State, County, and local government agencies.⁷

INFORMATION, ASSUMPTIONS and METHODOLOGIES

No methodologies were used in this statement. The assumptions underlying the claims made in the subsequent sections are based on the judgment of OLO staff. The primary assumptions made in this statement are the following: First, consolidating business support services within the Business Advancement Team would improve the quality of these services to businesses operating in the County. Second, the Small Business Navigator would identify redundant or unnecessary business regulations, which would facilitate regulatory reform.

VARIABLES

The primary variables that would affect the economic impact of Bill 20-20 are the following:

- Ease of regulatory compliance—the time, cost, and number of procedures to comply with County business regulations⁸
- Ease of starting a business—the time, cost, and number of procedures required by the County to start a business

IMPACTS

Businesses, Non-Profits, Other Private Organizations

Workforce, operating costs, property values, capital investment, taxation policy, economic development, competitiveness, etc.

OLO believes that Bill 20-20 could have a positive impact on private organizations in the County. By improving the quality of business support services, the Business Advancement Team could decrease the time it takes entrepreneurs to start a business and business owners to comply with County regulations. This time-saving effect should be strongest for small businesses, which lack compliance officers and other resources that large firms use to efficiently and effectively comply with outside regulatory requirements. Moreover, by identifying redundant or unnecessary regulations that small businesses face, the Small Business Navigator could facilitate regulatory reforms that lower the costs of complying with business regulations and starting a business.

It is impossible for OLO to guarantee, much less estimate the magnitude of, these potential time-savings and cost-savings. However, there is theoretical reason to believe that these *potential* savings, if sufficiently large, would have an impact on the Council’s priority indicators. Any financial savings, of course,

⁷ Ibid, 3.

⁸ The ease of compliance and starting-a-business variables are based on the World Bank’s Doing Business Index. See [Doingbusiness.org](https://www.doingbusiness.org), Starting a Business Methodology, The World Bank, <https://www.doingbusiness.org/en/methodology/starting-a-business> (accessed on April 28, 2020). |

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would allow small business owners to offset operating and employment costs, and to increase capital investments. Improving the ease of starting a business and regulatory compliance for small businesses could lead to gains in economic development and the County's competitiveness relative to other jurisdictions in the Washington D.C. metropolitan region. Moreover, it is possible that some taxes on businesses could be eliminated if regulatory reform occurs as a result of what the Small Business Navigator finds. However, OLO sees no clear connection between Bill 20-20 and property values.

Residents

Employment, property values, taxes paid, etc.

As previously stated, OLO cannot guarantee, much less estimate the magnitude of, the time-savings and cost-savings that Bill 20-20 could potentially generate for small businesses. If sufficiently large, these savings could generate employment gains for County residents, which would increase taxes paid. However, OLO sees no connection between Bill 20-20 and property values for County residents.

WORKS CITED

Doingbusiness.org. Starting a Business Methodology. The World Bank, <https://www.doingbusiness.org/en/methodology/starting-a-business>.

Drummer, Robert H., Senior Legislative Attorney, to County Council. Memorandum. June 26, 2015. Montgomery County Council, Maryland.

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Montgomery County Council. Bill No. 20-20 Administration – Office of the County Executive – Business Administration Team – Established. Montgomery County, Maryland.

Montgomerycountymd.gov. Business Regulations & Laws. Montgomery County Government, Maryland, <https://www.montgomerycountymd.gov/Biz-Resources/Regulatory-Environment.html>.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not

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determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

This economic impact statement was drafted by Stephen Roblin (OLO).