Economic Impact Statement

Office of Legislative Oversight

Bill 17-21 Police – Community Informed Police Training

SUMMARY

By transferring funds from the County to local private educational institutions, the Office of Legislative Oversight (OLO) believes that enacting Bill 17-21 would have a positive, yet modest, annual impact on economic conditions in the County.

BACKGROUND

The purpose of Bill 17-21 is to establish collaborations between the Montgomery County Police Department (MCPD) and local educational institutions to improve community informed policing within the department. The bill would attempt to do so by making three changes to County law regarding police recruitment and training.

First, the bill would "expand the recruitment of police cadets who reflect the diversity of the County," "sponsor communication sessions with prospective cadets and community members," and "develop internship programs for prospective cadets."

Second, the bill would require applicants to the police academy to complete an initial 30-credit program designed to develop competencies in racial equity and social justice, health and wellness, community policing, policing history, active listening and conflict resolution, and civic engagement. Relatedly, the bill would require MCPD to "consider the applicant's performance in the program."

Finally, the bill would require MCPD to partner with local educational institutions and national law enforcement professional organizations to provide continuing education to all County police officers, executive-level police officers, and new police sergeants.[1]

METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

Enacting Bill 17-21 would involve an internal transfer from the County to Montgomery College and/or other local educational institutions. Using tax revenue, the County would pay for MCPD applicants to complete the program and continuing education for police officers. The internal transfer from the County to local educational institutions would not, however, entail a net increase in the amount of economic activity in the County. Ultimately, the total annual economic impact of Bill 17-21 would depend on:

(a) the per year economic benefits of increased expenditures at local educational institutions; and

(b) the per year economic opportunity cost of reduced County revenues.

---

[1] Montgomery County Council, Bill 17-21, Police – Community Informed Police Training, introduced on May 18, 2021. See Introduction Staff Report, https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=2708_1_14445_Bill_17-21_Introduction_20210518.pdf.

Because OLO does not know how the County revenues would otherwise be used in the absence of enacting Bill 17-21, OLO limits the scope of the analysis below to the economic benefits of increased expenditures at local educational institutions. Thus, this analysis does not account for the economic impacts of alternative government spending.

To assess the economic impacts of enacting Bill 17-21, OLO estimates the multiplier effect of increasing expenditures at local educational institutions. The multiplier effect captures how changes in economic activity affect other rounds of spending, and how additional spending impacts certain economic indicators.

This analysis uses the Regional Input-Output Modeling System (RIMS II) "final-demand multipliers" for Montgomery County developed by the U.S. Bureau of Economic Analysis.[2] The multiplier effect of increased "junior colleges, colleges, universities, and professional schools" is estimated in terms of four economic measures:

- Output (sales): total market value of industry output,
- Value-Added: total value of income generated from production (equivalent to gross domestic product),
- Earnings: employee compensation plus net earnings of sole proprietors and partnerships, and
- Employment: number of full- and part-time employees.[3]

Table 1 presents the RIMS II "junior colleges, colleges, universities, and professional schools" multipliers for Montgomery County. OLO uses these multipliers to estimate the multiplier effects for each economic measure.

Table 1. RIMS II Multipliers for Montgomery County

	Output	Earnings	Employment	Value-Added
Type I	1.2283	0.3475	8.0975	0.881
Type II	1.5049	0.4029	9.4534	1.0528

Data Source: U.S. Bureau of Economic Analysis

OMB projects that Bill 17-21 would result in total annual training costs ranging from $364,750 to $1,463,000.[4] **Table 2** presents the multiplier effects for these estimated increases in expenditures at local educational institutions.

Table 2. Annual Multiplier Effects of an Increase in Expenditures at Local Educational Institutions

Range	Output	Earnings	Employment	Value-Added
Low	$448,022	$126,751	3	$321,345
High	$2,201,669	$589,443	14	$1,540,246

[2] U.S. Bureau of Economic Analysis, *RIMS II: An Essential Tool for Regional Developers and Planners*, December 2013, https://apps.bea.gov/regional/rims/rimsii/rimsii_user_guide.pdf.
[3] Ibid, 3 – 3 and 3 – 4.
[4] Personal communication with OMB analysts.

VARIABLES

The primary variable that would affect the economic impacts of Bill 17-21 is:

- Total annual transfer from County to local educational institutions.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO believes that Bill 17-21 would have a positive economic impact on private organizations in the County. Using the RIMS II multipliers, OLO estimates that transferring between $364,750 to $1,463,000 from the County to local educational institutions on an annual basis, if enacted the bill would result in the following:

- $448,022 to $2,201,669 in output (i.e., total market value of industry output),
- $321,345 to $1,540,246 in value-added (i.e., total value of income generated from production),
- $126,751 to $589,443 in earnings (i.e., employee compensation plus net earnings of sole proprietors and partnerships), and
- 3 to 14 new jobs (i.e., full- and part-time employees).

The primary beneficiaries of Bill 17-21 would be local educational institutions and their workforce. Other businesses and private organizations may also benefit from expenditures at these institutions if demand for local goods and services increase.

Residents

OLO believes that Bill 17-21 would positively impact residents who may experience increases in employee earnings and new jobs as a result of the multiplier effect induced by the change in law.

However, as previously stated, it is beyond the scope of this analysis to estimate whether the economic impacts to private organizations and residents would outweigh the impacts of alternative uses of County funds.

DISCUSSION ITEMS

Not applicable

WORKS CITED

Montgomery County Code. Sec. 2-81B. Economic Impact Statements.

Montgomery County Council. Bill 17-21, Police – Community Informed Police Training. Introduced on May 18, 2021.

U.S. Bureau of Economic Analysis. *RIMS II: An Essential Tool for Regional Developers and Planner.*, December 2013.

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 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

Stephen Roblin (OLO) prepared this report.