Economic Impact Statement

Office of Legislative Oversight

Bill 32-21 Personnel – Employee Settlement Agreements with No-Rehire Clause - Prohibited

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 32-21 would have an insignificant impact on economic conditions in the County due to the small number of residents who would likely be affected by the change in law. However, the Bill would economically benefit any resident who the County reemploys after entering into a County employee settlement agreement and who would otherwise receive a lower compensation package with employment outside the County.

BACKGROUND

Bill 32-21 responds to the "no-rehire" clause in County employee settlement agreements which prohibits an employee from working for the County indefinitely. If enacted, the Bill would make the following changes to County law governing personnel and human resources:

- prohibit the no-rehire clause in County employee settlement agreements;
- provide the Chief Administrative Officer or agency head the authority to include a no-rehire clause if "there are sufficient grounds to terminate the employment for cause"; and
- establish a right to appeal for employees who disagree with the decision to include a no-rehire clause.[1]

METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

No methodologies were used in this statement. The claims made in subsequent sections are based on the following assumption:

- **Assumption:** the number of residents who would attain reemployment with the County after entering into a County employee settlement agreement would be insufficient to have meaningful impacts on local economic conditions.

VARIABLES

The primary variables that would affect the economic impacts of Bill 32-21 are the following:

- number of residents the County reemploys after entering into a County employee settlement agreement; and
- total household income for residents who the County reemploys after entering into a County employee settlement agreement.

[1] Montgomery County Council, Bill 32-21, Personnel – Employee Settlement Agreements with No-Rehire Clause – Prohibited , Introduced on July 20, 2021.

IMPACTS

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

Businesses, Non-Profits, Other Private Organizations

Based on the assumption made in this analysis (see above), OLO anticipates that enacting Bill 32-21 would have no significant impacts on private organizations in the County in terms of the Council's priority indicators.[2]

Residents

Enacting Bill 32-21 would affect households with residents who the County reemploys after entering into a County employee settlement agreement. For residents who would otherwise receive a lower compensation package with employment outside the County, their households would experience a net increase in income. However, based on the assumption made in this analysis, OLO anticipates that the Bill would have no significant impacts on other residents in terms of the Council's priority indicators.

DISCUSSION ITEMS

Not applicable

WORKS CITED

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

Montgomery County Council. Bill 32-21, Personnel – Employee Settlement Agreements with No-Rehire Clause – Prohibited. Introduced on July 20, 2021.

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.

[2] Montgomery County Code, Sec. 2-81B, Economic Impact Statements, https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-80894.