

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 21-21

Fire and Rescue Services – Length of Service Awards Program For Volunteers – Amendments

SUMMARY

The Office of Legislative Oversight (OLO) believes that enacting Expedited Bill 21-21 would benefit residents who are local fire and rescue department volunteers by increasing their income. OLO anticipates that the bill would have a positive, yet minor, impact on economic conditions in the County.

BACKGROUND

If enacted, Expedited Bill 21-21 would change the length of service benefits program for certain local fire and rescue department volunteers in the following ways: First, it would “increase the amount of the length of service benefits to certain local fire and rescue department volunteers.” Second, it would “provide points for activities cancelled due to COVID-19 in the length of service benefits to certain local fire and rescue department volunteers.”¹

METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

Enacting Expedited Bill 21-21 would involve an internal transfer from the County to local fire and rescue department volunteers in the form of increased length of service benefits. The internal transfer, however, would not entail a net increase in the amount of economic activity in the County. Ultimately, the total annual economic impact of Bill 21-21 would depend on:

- (a) the per year economic benefits of increased expenditures to local fire and rescue department volunteers; and
- (b) the per year economic opportunity cost of reduced County revenues.

Because OLO does not know how the County revenues would otherwise be used in the absence of enacting Bill 21-21, OLO limits the scope of the analysis below to the economic benefits of increased expenditures to local fire and rescue department volunteers. Thus, this analysis does not account for the economic impacts of alternative uses of government funds.

To assess the economic impacts of enacting Bill 21-21, OLO estimates the household multiplier effect of increasing expenditures to local fire and rescue department volunteers. The multiplier effect captures how changes in economic activity affect other rounds of spending, and how additional spending impacts certain economic indicators.

¹ Montgomery County Council, Expedited Bill 21-21, Fire and Rescue Services – Length of Service Awards Program For Volunteers – Amendments, introduced on May 18, 2021. See Introduction Staff Report, https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2711_1_14444_Bill_21-21E_Introduction_20210518.pdf.

Economic Impact Statement

Office of Legislative Oversight

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 household income 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 household multipliers for Montgomery County. OLO uses these multipliers to estimate the multiplier effect for each economic measure.

Table 1. RIMS II Household Multipliers for Montgomery County

Output	Earnings	Employment	Value-Added
0.7951	0.1587	3.8028	0.4936

Data Source: U.S. Bureau of Economic Analysis

OMB projects that the increased benefits in Expedited Bill 21-21 would amount to \$317,210 over the next six years, with an average annual cost of \$52,868.⁴ **Table 2** presents the multiplier effects for the average annual transfer from the County to local fire and rescue department volunteers.

Table 2. Annual Household Multiplier Effect of an Increase in Expenditures to Local Fire and Rescue Department Volunteers

Output	Earnings	Employment	Value-Added
\$42,035	\$8,390	0.2	\$26,096

It is important to note that the estimates in **Table 2** assume that all volunteers are County residents.

VARIABLES

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

- total annual transfer from the County to local fire and rescue department volunteers; and
- percentage of volunteers who receive length of service benefits who reside in the County.

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 Robert H. Drummer to Montgomery County Council, Memorandum, May 13, 2021. See Introduction Staff Report.

Economic Impact Statement

Office of Legislative Oversight

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 Expedited Bill 21-21 would have a positive, yet modest, economic impact on private organizations in the County. Using the RIMS II multipliers, OLO estimates that transferring an average of \$52,868 from the County to local fire and rescue department volunteers on an annual basis would result in the following:

- \$42,035 in output (i.e., total market value of industry output),
- \$26,096 in value-added (i.e., total value of income generated from production),
- \$8,390 in earnings (i.e., employee compensation plus net earnings of sole proprietors and partnerships), and
- 0.2 new jobs (i.e., full- and part-time employees).

As previously stated, these estimates assume that all volunteers reside in the County.

The primary beneficiaries of Bill 21-21 would be local fire and rescue department volunteers who would receive the length of service benefits. The additional benefits would increase their net income. Businesses and private organizations may also benefit from higher demand for local goods and services due to increased household spending. However, the benefits to businesses would be negligible on an annual basis.

Residents

OLO believes that Expedited Bill 21-21 would benefit residents who volunteer for the local fire and rescue department and receive the length of service benefits. The bill would otherwise not significantly affect County 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, Expedited Bill 21-21, Fire and Rescue Services – Length of Service Awards Program For Volunteers - Amendments, introduced on May 18, 2021.

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

Economic Impact Statement

Office of Legislative Oversight

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.