

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 24-21

Bond Authorization – Stormwater Management

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 24-21 would have a positive impact on economic conditions in the County. By authorizing the County to issue up to \$34.0 million in special limited obligation bonds, Expedited Bill 24-21 would grant the County the bond authority needed to fund the appropriations for the stormwater management capital improvement program (CIP) projects in the amended FY21-FY26 CIP budget, which the Council previously approved on May 27, 2021. A robust analysis of the Bill's aggregate economic impacts to the County would require a detailed investigation of all stormwater management projects covered under the appropriations. While this investigation is beyond the scope of this impact statement, OLO anticipates the bill having a positive economic impact because it would increase government funding on construction and building projects over the timeframe of the amended FY21-FY26 CIP budget.

BACKGROUND

If enacted, Expedited Bill 24-21 would authorize the County to issue up to \$34.0 million in special limited obligation bonds. The bond would be used to fund the appropriations for stormwater management CIP projects in the amended FY21-FY26 CIP budget. The bond would be secured by the County's Water Quality Protection Charge. The bond authorization would not pledge the full faith and credit and unlimited taxing power of the County.¹

METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

By authorizing the County to issue special limited obligation bonds, enacting Expedited Bill 24-21 would increase government funding on construction and building projects related to stormwater management outlined in the amended FY21-FY26 CIP budget. The economic impact of Expedited Bill 24-21 would be based largely on the economic benefits of these projects.

Increasing County expenditure would have a significant "multiplier effect," that is, how changes in economic activity affect other rounds of spending, and how additional spending impacts certain economic indicators. To illustrate, upgrading the stormwater management facilities would likely entail increased income to workers involved in the projects. Increased income would in turn increase demand for local goods and services.

It is beyond the scope of this analysis to calculate the multiplier effect of the *specific* CIP projects that Expedited Bill 24-21 would fund using the "Bill-of-Goods" method. This method requires a great deal of information, for example, knowing the specific inputs that would be purchased for building projects and local industries involved in the supply of goods and services required to complete the projects.

¹ Montgomery County Council, Expedited Bill 24-21, Bond Authorization – Stormwater Management, introduced on June 29, 2021.

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OLO will note however that the projects would fall within the Regional Input-Output Modeling System (RIMS II) final-demand multiplier for the “construction” industry. The RIMS II multipliers, developed by the U.S. Bureau of Economic Analysis,² measure the multiplier effect of economic activity in terms of four 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

Industries with relatively high multiplier values for these measures result in greater output, value-added, earning, and employment for every additional dollar of economic activity in those industries. There are multipliers for 64 industries in the County. **Table 1** presents the ranking of the RIMS II construction multiplier for Montgomery County ordered from highest to lowest.

**Table 1. Rank of Construction RIMS II Multiplier for Montgomery County
(out of 64 multipliers, ordered from highest to lowest)**

	Output	Earnings	Employment	Value-Added
Construction Multiplier (type I)	39th	24th	27th	39th

VARIABLES

The primary variables that would affect the economic impacts of Expedited Bill 24-21 are:

- the total amount of special limited obligation bonds; and
- percentage of County-based businesses and workers involved in the project.

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 24-21 would have a positive economic impact on any local businesses involved in stormwater management CIP projects. As previously stated, it is beyond the scope of this analysis to identify the specific inputs that would be purchased and the local industries and businesses that would be involved in the supply of goods and services required to complete the project. Nevertheless, any local businesses involved in the projects would likely experience income gains. Moreover, if certain workers involved in the projects experience higher earnings, then other local businesses would benefit from the change in spending by these workers.

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.

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A detailed investigation of the all stormwater management CIP projects covered under the appropriations would be required to assess the bill's impacts on the Council's other priority indicators.

Residents

OLO believes that Expedited Bill 24-21 would primarily affect owners and workers of County-based businesses involved in the upgrade to the stormwater management projects in the form of higher incomes.

DISCUSSION ITEMS

Not applicable

WORKS CITED

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

Montgomery County Council, Expedited Bill 24-21, Bond Authorization – Stormwater Management, introduced on June 29, 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.