

# Economic Impact Statement

Office of Legislative Oversight

## Expedited Bond Authorization Bill 25-21

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 25-21 would have a positive impact on economic conditions in the County. By increasing the County's general obligation (G.O.) bond authorization by \$452,500,000, Expedited Bill 25-21 would grant the County additional authority needed to fund the appropriations for the capital improvement projects (CIP) in certain public facility categories, which the Council previously approved on May 27, 2021. The Bill's aggregate economic impacts to the County would require a detailed investigation of all public facility CIP 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 for CIP projects over the timeframe of the amended FY21-FY26 CIP budget.

### BACKGROUND

If enacted, Expedited Bill 25-21 would increase the County's G.O. bond authorization by \$452,500,00. The bond would be used to fund the appropriations for CIP projects in various public facility categories. The bond would be secured by the full faith and credit and unlimited taxing power of the County.<sup>1</sup>

### METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

By authorizing the County its G.O. bonds, Enacting Expedited Bill 25-21 would increase government funding on various public facility CIP projects. The economic impact of Expedited Bill 25-21 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, carrying out the CIP projects 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 25-21 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.

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,<sup>2</sup> measure the multiplier effect of economic activity in terms of four measures:

<sup>1</sup> Montgomery County Council, Expedited Bill 25-21, Bond Authorization, introduced on June 15, 2021.

<sup>2</sup> 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](https://apps.bea.gov/regional/rims/rimsii/rimsii_user_guide.pdf).

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- 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.<sup>3</sup>

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)**

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

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## VARIABLES

The primary variables that would affect the economic impacts of Expedited Bill 25-21 are:

- the total amount of G.O. bonds; and
- percentage of County-based businesses and workers involved in the projects.

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## 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 25-21 would have a positive economic impact on any local businesses involved in public facility 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 projects. 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.

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

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<sup>3</sup> Ibid, 3 – 3 and 3 – 4.

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## Residents

OLO believes that Expedited Bill 25-21 would primarily affect owners and workers of County-based businesses involved in the upgrade to the public facility CIP projects in the form of higher incomes.

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## DISCUSSION ITEMS

Not applicable

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## WORKS CITED

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

Montgomery County Council. Expedited Bill 25-21, Bond Authorization. Introduced on June 29, 2021.

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## 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.

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## CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.