

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 16-22

Special Capital Improvements Projects - 6th District Police Station

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 16-22 could have a positive impact on economic conditions in the County. By authorizing capital project No. 470301, the 6th District Police Station, as a “Special Capital Improvements Project, the Bill would grant the County the authority needed for construction of the new police station estimated at \$31,907,000 for planning, design, and construction costs. The Bill’s aggregate economic impacts to the County would require a detailed investigation of this project. While this investigation is beyond the scope of this impact statement, OLO anticipates the project could have a positive economic impact because a portion of the funding likely would be used to contract with County-based businesses to participate in the project.

BACKGROUND

Per the request of the County Executive, Expedited Bill 16-22 would authorize capital project No. 470301, the 6th District Police Station, as a “Special Capital Improvements Project.” The locally-funded cost of this project in the FY23 Capital Budget and FY23-28 Capital Improvements Program is estimated at \$31,907,000 for planning, design, and construction costs. The justification for the construction of the new police station is that “[t]he current facility is in rented space and lacks several features of a modern police station.”

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess Bill 16-22’s impacts on County-based private organizations and residents in terms of the Council’s priority economic indicators.¹ By authorizing the special appropriation for the , the 6th District Police Station project, enacting Bill 16-22 would increase government funding on construction and building projects. The economic impact of the Bill 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, constructing the new police station would likely entail increased income to workers involved in the projects. Increased income would in turn increase demand for local goods and services.

¹ Montgomery County Code, [Sec. 2-81B](#).

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It is beyond the scope of this analysis to calculate the multiplier effect of the *specific* project that Bill 16-22 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 project 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 enacting Bill 16-22 is the following:

- percentage of County-based businesses and workers involved in the project.

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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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 16-22 could have a positive economic impact on any local businesses involved in the 6th District Police Station project. 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 likely would benefit from the change in spending by these workers.

Beyond these potential impacts, OLO does not expect the Bill to affect private organizations in terms of the Council's other priority indicators.

Residents

OLO anticipates that enacting Bill 16-22 could have positive impacts on certain residents in the County in terms of income. The positive impacts largely depend on the extent to which the contractors rely on resident labor.

Beyond this potential impact, OLO does not expect the Bill to affect residents in terms of the Council's other priority indicators.

DISCUSSION ITEMS

Not applicable

WORKS CITED

Montgomery County Code. [Sec. 2-81B, Economic Impact Statements](#).

Montgomery County Council. Expedited Bill 16-22, Special Capital Improvements Projects - 6th District Police Station (P470301). Introduced on June 14, 2022.

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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.

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.