

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 31-22

Finance – Economic Development Fund – Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Expedited Bill 31-22 would have an indeterminate, with the potential for a positive, impact on economic conditions in the County in terms of the Council’s priority indicators. By permitting the Executive to implement changes through Method 2 Regulation, the bill likely would increase the efficiency of the County’s administration of the SBIR/STTR Matching Grant Program. Greater administrative efficiency may help the County develop programmatic changes that are more responsive to the needs of grant recipient businesses and, in turn, help these businesses grow. However, these outcomes would depend on factors OLO is unable to assess in this statement.

BACKGROUND

In 2018, the Council established the County’s Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program (hereinafter “SBIR/STTR Matching Grant Program”).¹ The SBIR/STTR Matching Grant Program is an entitlement program for businesses in the County’s biotechnology sector. The purpose of the program is to provide small grants for early-stage biotech businesses that have received a federal SBIR/STTR Phase I or II grant and conduct at least 51 percent of their research and development operations in the County.²

The goal of Expedited Bill 31-22 is to provide the County with “greater flexibility” in the administration of the SBIR/STTR Matching Grant Program.³ Per Council staff recommendations, the Bill would do so by altering the program’s administration and eligibility requirements to allow the Executive to implement changes to the program through Method 2 Regulation, rather than amending the County Code.^{4,5}

¹ Department of Finance, Economic Development Fund 2021 Annual Report; Montgomery County Code, [Sec. 20-76E](#).

² [Smith to PHED Committee, July 7, 2021](#); [Montgomerycountymd.gov](#), [Economic Development Fund](#).

³ [Expedited Bill 31-22](#).

⁴ [Ibid](#); [Smith to PHED Committee, October 12, 2022](#).

⁵ For the definition of Method 2 Regulation, see Montgomery County Code, [Sec. 2A-15](#).

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INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Expedited Bill 31-22 on residents and private organizations in terms of the Council’s priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.⁶

To do so, OLO addresses two questions in this analysis:

- Would permitting the Executive to implement changes through Method 2 Regulation increase the efficiency of the County’s administration of the SBIR/STTR Matching Grant Program? In other words, would the change in law reduce the amount of “inputs” (i.e., time and effort of policymakers and staff) required to achieve the “output” (i.e., programmatic changes)?
- How would greater administrative efficiency impact grant recipients?

In this analysis, OLO relies primarily on the following information sources:

- Council staff reports on the SBIR/STTR Matching Grant Program for the Planning, Housing, and Economic Development (PHED) Committee;
- Consultations with Council staff; and
- Annual Reports on the County’s Economic Development Fund.

VARIABLES

The primary variables that would affect the economic impacts of enacting Expedited Bill 31-22 are the following:

- administrative efficiency;
- content of future programmatic changes; and
- effectiveness of implementing changes.

IMPACTS

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

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 31-22 would have an indeterminate, with the potential for a positive, impact on certain private organizations in the County in terms of the Council’s priority economic indicators.

⁶ Montgomery County Code, [Sec. 2-81B](#).

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Under current law, making changes to the SBIR/STTR Matching Grant Program requires changing the County Code through Council Action. By permitting the Executive to implement changes through Method 2 Regulation, the bill likely would increase the efficiency of the County's administration of the SBIR/STTR Matching Grant Program. As written in the October 17, 2022 Council staff report, "This approach provides greater flexibility to the County for future modifications because the process to update a regulation is less intensive than amending the County Code."⁷ In other words, making programmatic changes through executive regulation requires less time and effort among County leaders and staff than amending the Code.

Greater efficiency in the administration of the SBIR/STTR Matching Grant Program could help the County be more responsive to changes in grant recipient needs on a grant-cycle basis. If so, the program may help grant recipients to grow their businesses. The extent to which greater administrative efficiency would achieve this effect largely would depend on two factors:

- (1) the content of programmatic changes; and
- (2) the effectiveness in which County entities, namely the Montgomery County Economic Development Corporation (MCEDC) and the County's Business Advancement Team, implement these changes.

The Executive has communicated to Council its recommended changes to the SBIR/STTR Matching Grant Program. It is beyond the scope of this analysis to assess whether these changes are responsive to business needs and whether County entities likely would implement them effectively. For this reason, OLO concludes that Bill 31-22 would have an indeterminate, with the potential for a positive, impact on future recipients of the SBIR/STTR Matching Grant Program.

Residents

OLO anticipates that Bill 31-22 would not meaningfully impact County residents in terms of the Council's priority economic indicators.

Overall Impact

OLO does not anticipate that Expedited Bill 31-22 would have any adverse economic impacts on residents or private organizations that would offset the *potential* positive impacts to future grant recipients described above. For this reason, the bill potentially could have a positive impact on overall economic conditions in the County.

DISCUSSION ITEMS

Not applicable

⁷ [Smith to PHED Committee, October 12, 2022.](#)

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WORKS CITED

Department of Finance. Montgomery County Economic Development Fund Annual Report. 2021.

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

Montgomery County Code. [Sec. 20-76E, Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program](#).

Montgomerycountymd.gov. [Economic Development Fund](#).

Montgomery County Council. [Expedited Bill 31-22, Finance – Economic Development Fund - Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program](#). Introduced on November 1, 2022.

Smith, Gene to PHED Committee. [Memorandum](#). July 7, 2021

Smith, Gene to PHED Committee. [Memorandum](#). October 12, 2022.

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.