

Economic Impact Statement

Montgomery County, Maryland

Expedited Bill 41-23

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

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Expedited Bill 41-23 would have a positive impact on economic conditions in the County in terms of the Council’s priority indicators. By increasing the Length of Service Awards Program (LOSAP) benefits to certain local fire and rescue department volunteers, the Bill likely would increase household income for current and future volunteers. Because approximately 72 percent of current volunteers reside in the County, most household income gains would go to residents. Thus, a minor share of the income gains likely would result in capital outflows in the form of taxpayer dollars flowing outside the County to nonresident households. Moreover, resident income gains likely would increase household spending on local goods and services, benefiting certain County-based businesses in the form of increased business revenues and income.

BACKGROUND AND PURPOSE OF BILL

The goal of Expedited Bill 41-23 is to implement provisions in the Collective Bargaining Agreement that were negotiated between the County Executive and the Montgomery County Volunteer Fire and Rescue Association (MCVFRA). MCVFRA is the authorized representative of Local Fire and Rescue Departments (LFRDs) in their negotiations with the County. The Length of Service Awards Program (LOSAP) is a County program that:

“provides a monthly pension for members of a [LFRDs] who have provided volunteer fire and rescue service for a certain number of years. It is similar to the defined benefit pension for career fire and rescue employees, although the amount of the pension is significantly lower. The County pays for these benefits in budget appropriations instead of establishing a trust fund.”¹

The Bill would implement the agreement between the County Executive and MCVFRA by increasing the benefits paid to local fire and rescue department volunteers under LOSAP. If enacted, the Bill would make the following changes:

- Increase LOSAP benefits by 8% for all participants.
- Provide an additional 7.5% increase for certain members who received LOSAP benefits as of December 31, 2022 as well as provide them with a 4% increase in FY25, and another 4% increase in FY26.²

To estimate the Bill’s impact on County expenditures and revenues, GRS performed an actuarial analysis, which is summarized in the Office of Management and Budget’s Fiscal Impact Statement. The actuarial analysis determined that increasing the

¹ “Introduction Staff Report on Expedited Bill 41-23.”

² Ibid.

benefits paid to local fire and rescue department volunteers under LOSAP would increase County operating expenditures by \$964,792 over the next six fiscal years.³ The analysis determined the Bill would have no impact on County revenues.

The Council President introduced Expedited Bill 41-23 on behalf of the County Executive on November 14, 2023.

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 41-23 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.⁴

As discussed below, the Bill's economic impacts would depend on how many affected local fire and rescue department volunteers *reside within the County*. The amount that would go to nonresident households would represent a capital outflow in the form of taxpayer dollars flowing outside the County.

In this analysis, OLO uses data provided by the Office of Human Resources (OHR) on the residence of local fire and rescue department volunteers to estimate the extent to which the Bill would benefit resident households.

The fiscal impact statement determined that the Bill would increase County expenditures and have no impact on revenues. Because the Bill would not increase taxes on residents or businesses, the County would bear the cost of increased LOSAP benefits. Importantly, OLO does not know how the County would otherwise allocate the funds for the benefit increase in the absence of enacting the Bill. For this reason, OLO limits the scope of the analysis to the economic impacts of increased LOSAP benefits on residents and businesses. That is, this analysis does not account for the Bill's negative opportunity cost—i.e., the economic impacts of alternative uses of the operating expenditures.

The analysis here draws on the following source of information:

- OHR data on the residence of local fire and rescue department volunteers; and
- OMB's Fiscal Impact Statement for Expedited Bill 41-23.

VARIABLES

The primary variables that would affect the economic impacts of enacting Expedited Bill 41-23 are the following:

- total increase in LOSAP benefits; and
- place of residence.

³ Fiscal Impact Statement included in the Introduction Staff Report.

⁴ Montgomery County Code, [Sec. 2-81B](#).

IMPACTS

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

Residents

OLO anticipates Expedited BILL 41-23 would have a positive impact on certain residents in terms of the Council’s priority economic indicators. The Bill would primarily benefit residents who serve as local fire and rescue department volunteers. By increasing LOSAP benefits, affected volunteers would receive an increase in household income during their future retirement, holding all else equal.

OLO expects most of the household income gains from the Bill likely would go to residents. According to the OHR, approximately 72 percent of fire and rescue department volunteers currently reside in the County (compared to approximately 63 percent of all current County employees who reside locally).⁵ Based on the current percentage of resident volunteers, approximately \$694,650 of the estimated total expenditures (\$964,792) from FY24 to FY29 would go to resident households. Approximately \$270,142 would flow out of the County over this period—an average of \$45,024 per year.

Beyond household income, OLO does not expect the Bill to meaningfully affect residents in terms of the Council’s other priority economic indicators.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates Expedited Bill 41-23 would have a minor positive impact on private organizations in the County. The household income gains to residents likely would increase household spending on local goods and services, benefiting certain County-based businesses in the form of increased business revenues and income.

Net Impact

OLO anticipates that Expedited Bill 41-23 would have an overall positive impact on economic conditions in the County in terms of the Council’s priority economic indicators. By increasing LOSAP benefits to certain local fire and rescue department volunteers, the Bill likely would increase household income for current and future volunteers. Because most (72 percent) current volunteers reside in the County, household income gains largely would go to residents. Thus, a minor share of the income gains likely would result in capital outflows. Moreover, resident income gains likely would increase household spending on local goods and services, increasing revenues and income for certain local businesses.

DISCUSSION ITEMS

Not applicable

⁵ Personal communication, November 17, 2023.

WORKS CITED

["Introduction Staff Report on Expedited Bill 41-23, Fire and Rescue Services – Length of Service Awards Program for Volunteers - Amendments."](#) Montgomery County Council, November 14, 2023.

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

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.

AUTHOR

Stephen Roblin (OLO) prepared this report.