Economic Impact Statement

Montgomery County, Maryland

Expedited Bill 10-25: Personnel and Human Resources – Hiring Displaced Federal Workers

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Expedited Bill 10-25 would have a positive impact on economic conditions in the County in terms of the Council's priority economic indicators. By establishing a one-year hiring preference within MCG for recently laid off federal workers residing in the County, the Bill would likely increase the chances that County residents are hired for open positions over non-residents. Based on well-established findings regarding the economic harms of job displacement, residents hired through this policy would likely face smaller and shorter-lived earnings losses than they would have without the Bill's enactment. Over both the short- and long-terms, this would likely stabilize and improve household income for certain beneficiaries.

Additionally, by helping recently laid-off federal workers transition into County employment, the Bill could mitigate sharp reductions in household spending. In turn, this may help protect local businesses from potential revenue and income losses.

Finally, the Bill may also reduce capital outflow—defined as the movement of income out of the jurisdiction. Each position filled by a County resident rather than a non-resident would ensure that taxpayer-funded salaries remain within the County. Moreover, by providing more local employment opportunities, the Bill may reduce the likelihood that displaced federal employees currently living in the County will relocate elsewhere for work, thereby helping to mitigate income outflows associated with the mass layoffs of federal workers.

BACKGROUND AND PURPOSE OF EXPEDITED BILL 10-25

As part of its broad and disruptive efforts to dismantle certain segments of the federal government, the Trump administration has reportedly fired at least 105,961 federal employees.[1] Montgomery County is particularly vulnerable to economic disruptions from the large-scale cuts. The County is home to several major federal agencies, such as the National Institutes of Health and the Food and Drug Administration. As of 2023, approximately 70,000 to 79,000 federal employees, along with thousands of federal contractors, resided in the County.[2]

The purpose of Expedited Bill 10-25 is to establish a temporary hiring preference within Montgomery County Government (MCG) for recently laid off federal workers residing in the County.[3] The Bill would amend Section 33-7 of the Montgomery County Code to include "displaced federal workers" to the list of preference categories,

[1] "Tracking Trump's overhaul of the federal workforce," CNN, last updated on March 19, 2025.

[2] American Community Survey, *K202402: Class of Worker for the Civilian Employed Population 16 Years and Over*, U.S. Census Bureau, 2023. Major Employers in Montgomery County, Maryland, Maryland Department of Commerce, accessed March 21, 2025.

[3] Montgomery County Council, Introduction Staff Report for Expedited Bill 10-25, Personnel and Human Resources – Hiring Displaced Federal Workers, March 18, 2021.

which currently include veterans with disabilities, veterans, people with disabilities, among others.[4] The term "displaced federal worker" would be defined as "a former federal employee who:

> (A) resides in the County;
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> (B) on or after January 1, 2025, received: (i) a notification from the federal government that the individual's federal position was no longer needed, or that the individual was subject to a federal reduction in force; and (ii) a notification of personnel action from the federal government that separated the individual from federal employment; and
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> (C) demonstrates a loss of income because of the separation from federal employment."[5]

If enacted, the Bill would sunset one year after it goes into effect.[6]

The Council introduced Expedited Bill 10-25 on March 18, 2025.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

As required by 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Expedited Bill 10-25 on residents and private organizations in relation to Council's priority economic indicators. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.[7]

OLO was unable to identify *impact evaluations* on resident preferential hiring policies implemented by state or local governments.[8] Instead, OLO reviewed several recent literature reviews that summarize the large body of empirical research on the economic, social, and health consequences of "job displacement"—defined as workers who lose their jobs for reasons unrelated to their performance.[9] Drawing on well-established findings regarding the economic harms of displacement, along with MCG employee data from the Office of Human Resources (OHR), this analysis examines the likely effects of establishing a one-year hiring preference within MCG for recently laid off federal workers residing in the County.

The primary assumption made in this analysis is that the hiring preference policy would likely affect hiring decisions made by MCG managers.

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[4] Montgomery County Code, "Sec. 33-7. County executive and merit system protection board responsibilities"; and Office of Human Resources, "Hiring Preferences and More…," Montgomery County Government, accessed on March 21, 2025.
[5] Montgomery County Council, Introduction Staff Report for Expedited Bill 10-25.
[6] Ibid.
[7] "Sec. 2-81B, Economic Impact Statements," Montgomery County Code.
[8] Impact evaluations are a core tool of evidence-based policymaking that seek to answer cause-and-effect questions regarding the impact of a policy intervention on a specific outcome(s). Paul J. Gertler et al., *Impact Evaluation in Practice, Second Edition* (Washington, DC: Inter-American Development Bank and World Bank, 2016); Kirsten Collins, "What Is Impact Evaluation?," American University Online, April 2, 2015.
[9] Ariel Gelrud Shiro and Kristin Butcher, "Job Displacement in the United States by Race, Education, and Parental Income," *Brookings Institution*, July 2022.

VARIABLES

The primary variables that would affect the economic impacts of enacting Expedited Bill 10-25 are the following:

- Number of hired displaced federal employees; and
- Salary differentials between federal and County positions.

IMPACTS

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

Residents

OLO anticipates that Expedited Bill 10-25 would have a positive impact on certain residents in the County in terms of the Council's priority economic indicators.

Research on the economic consequences of job displacement has uncovered several well-established findings. First, displaced workers experience large and enduring losses in annual earnings, with losses around 25 percent and lasting up to 20 years.[10] Second, the effects and likelihood of job displacement are unevenly distributed across demographic and socioeconomic groups. Workers who are male, Black, Hispanic, less educated, older, or from low-income backgrounds face a higher risk of displacement and often experience more severe and lasting economic consequences.[11] Additionally, lower-income workers are less protected against earnings losses following displacement compared to their higher-income counterparts.[12]

By implementing a one-year hiring preference within MCG for recently laid-off federal workers residing in the County, the Bill would likely benefit certain local residents. As of January 2025, data from the Office of Human Resources (OHR) show that 46 percent of current MCG employees (4,558 out of 9,941) live outside the County, with considerable variation across departments. This suggests that non-residents have historically made up a significant portion of the MCG applicant pool. If this pattern continues in the near term, the short-term hiring preference would likely provide recently laid-off federal workers who live in the County with a competitive advantage in the hiring process.

Residents hired by MCG as a result of this policy would likely face smaller and shorter-lived earnings losses than they would have without the Bill's enactment. In the short- and long-terms, this would likely stabilize and improve household income for certain beneficiaries.

However, it is important to note that the number of relevant MCG job openings may be insufficient to absorb a meaningful share of recently laid-off federal workers in the County—particularly given the large size of the local federal workforce and the scale of the Trump administration's plans for layoffs.

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

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[10] Ibid.; Johannes F. Schmieder, Till von Wachter, and Jörg Heining, "The Costs of Job Displacement over the Business Cycle and Its Sources: Evidence from Germany," *American Economic Review* 113, no. 5 (May 2023): 1208–54.
[11] Shiro and Butcher, "Job Displacement in the United States by Race, Education, and Parental Income."
[12] Ibid.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Expedited Bill 10-25 could have a small beneficial impact on certain private organizations in the County in terms of the Council's priority economic indicators.

Stabilizing and improving household income for certain beneficiaries of the one-year hiring preference for displaced federal workers living in the County could benefit certain local businesses. Research based on comprehensive individual and household spending data shows that a significant portion of consumption is local and that household expenditures decline following income shocks.[13] By helping recently laid-off federal workers transition into County employment, the Bill could mitigate sharp reductions in household spending. In turn, this may help protect local businesses – particularly those dependent on local consumer spending, such as grocery stores, restaurants, and retail establishments[14] – from potential revenue and income losses.

Beyond these potential impacts, OLO does not expect the Bill's impact on household incomes to be substantial enough to affect private organizations in terms of the Council's other priority indicators.

Net Impact

OLO anticipates that Expedited Bill 10-25 would have a positive impact on economic conditions in the County in terms of the Council's priority economic indicators.

As previously discussed, by establishing a one-year hiring preference within MCG for recently laid off federal workers residing in the County, the Bill would likely increase the chances that County residents are hired for open positions over non-residents. Residents hired through this policy would likely face smaller and shorter-lived earnings losses than they would have without the Bill's enactment. Over both the short- and long-terms, this would likely stabilize and improve household income for certain beneficiaries.

Additionally, by helping recently laid-off federal workers transition into County employment, the Bill could mitigate sharp reductions in household spending. In turn, this may help protect local businesses from potential revenue and income losses.

From a broader economic perspective, the Bill may also reduce capital outflow—defined as the movement of income out of the jurisdiction. Each position filled by a County resident rather than a non-resident helps ensure that taxpayer-funded salaries remain within the County. Moreover, by providing more local employment opportunities, the Bill may reduce the likelihood that displaced federal employees currently living in the County will relocate elsewhere for work, thereby helping to mitigate income outflows associated with the mass layoffs of federal workers.[15]

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[13] Sumit Agarwal, J. Bradford Jensen, and Ferdinando Monte, "Consumer Mobility and the Local Structure of Consumption Industries" (Cambridge, Mass: National Bureau of Economic Research, 2017); Abe Dunn and Mahsa Gholizadeh, "The Geography of Consumption and Local Economic Shocks: The Case of the Great Recession," *American Economic Journal: Macroeconomics* 17, no. 2 (April 1, 2025): 206–44; Scott R. Baker and Constantine Yannelis, "Income Changes and Consumption: Evidence from the 2013 Federal Government Shutdown," *Review of Economic Dynamics* 23 (January 1, 2017): 99–124; Sebastian Devlin-Foltz and John Sabelhaus, "Heterogeneity in Economic Shocks and Household Spending in the US," *Fiscal Studies* 37, no. 1 (2016): 153–92.
[14] Agarwal, Jensen, and Monte, "Consumer Mobility and the Local Structure of Consumption Industries."
[15] For more on income out-migration from the County, see Stephen Roblin, "Should I Stay or Should I Go?: Trends in Out-Migration from Montgomery County," Office of Legislative Oversight, October 22, 2024.

DISCUSSION ITEMS

As Councilmembers introduce and deliberate on MCG employment policies in the future, they may want to consider ways to encourage resident employment due to its economic benefits.

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.