Climate Assessment

Office of Legislative Oversight

Bill 5-24: Finance – Child Investment Fund

Summary

The Office of Legislative Oversight (OLO) anticipates Bill 5-24 may have a small positive impact on the County's community climate resilience, as the establishment of the Child Investment Fund could increase the overall community wealth, which would improve the County's ability to withstand climate shocks, such as extreme weather events.

Background and Purpose of Bill 5-24

The racial wealth gap, also known as the racial wealth divide, refers to entrenched racial and ethnic disparities in the wealth of American households. According to the Federal Reserve, as of 2022, "[t]he typical White family had about six times as much wealth as the typical Black family, and five times as much as the typical Hispanic family."[1] The racial wealth gap represents the cumulative impact of centuries of government policies and practices – including land theft, slavery, and segregation – that structurally advantaged White people and structurally oppressed and disadvantaged Black, Indigenous, and Other People of Color (BIPOC).[2]

In recent years, baby bonds have garnered interest throughout the country as a solution for narrowing the racial wealth gap. The Urban Institute describes that "Baby [B]onds are universal, publicly funded child trust accounts" which recipients can use "for wealth-building activities such as purchasing a home or starting a small business" when they reach adulthood.[3] Lawmakers in Congress and in several states have introduced legislation to establish baby bonds programs at the federal and state levels.[4,5] As of 2023, Connecticut, California, and Washington, DC have established baby bonds programs through legislation or budget appropriations.[6]

The purpose of Bill 5-24 is to establish the Child Investment Fund – a Baby Bonds program to help "address systemic racial inequities and help dismantle barriers to building generational wealth" in the County.[7,8] If enacted, Bill 5-24 would:[9]

- **Create a Child Investment Fund in the County.** The Bill would create a Child Investment Fund managed by the County's Director of Finance. Subject to appropriations, the County would be required to allocate $1,800 into the Fund annually for each child born in the County on or after January 1, 2024. Money from the Fund would be invested by the County according to the Department of Finance policies, which may be established under Method (2) regulations. Young people who were born in the County could receive disbursements from the Fund starting at age 18, provided they are County residents and meet certain income, wealth, and other eligibility requirements when they apply. Disbursements could only be used for vocational or academic educational expenses; ownership of or investment in a business located in the County; ownership of real property in the County; or retirement investment.

- **Establish a Child Investment Advisory Committee.** The Bill would create a Child Investment Advisory Committee to advise the County on various aspects of the Child Investment Fund, including on fund performance and investment opportunities. The Committee would also be required to provide recommendations to the Council by January 1, 2026 on eligibility requirements to receive disbursements from the Fund and tiered disbursement levels based on financial need. The Committee would be comprised of two ex-officio members from the Departments of Finance and Health and Human Services, and eleven members representing various communities in the County, such as community members with lived experience of poverty. The membership of the Committee would be required to reflect the regional, racial, cultural, and socioeconomic diversity of the County.

The Department of Finance and the Child Investment Fund Advisory Committee would each be required to publish annual reports on the status of the Child Investment Fund and related recommendations.[10]

The Council introduced Bill 5-24, Finance – Child Investment Fund, on March 19, 2024.

ANTICIPATED IMPACTS

Wealth is essential for building financial stability of individuals and communities.[11] The financial stability of a community can increase the capacity and effectiveness of a disaster response and recovery, which leads to improved community resilience.[12]

Baby bonds, and the proposed Child Investment Fund, are intended to narrow the racial wealth gap.[13] Black and Hispanic families, especially low-income families, are more negatively impacted by climate change compared to White families. This is due to systemic and racist policies (i.e, redlining, housing discrimination, and siting of toxic facilities in predominantly Black and Brown communities) which has deliberately led to less climate resilient buildings and neighborhoods in communities of color today.[14] Building wealth in historically underserved BIPOC communities can increase the overall community climate resilience.[15]

However, wealth building is only one component of community resilience.[16] Other factors, such as climate resilient infrastructure, strong communication channels, and detailed emergency response plans, are crucial to improving a community's climate resilience.[17] Further, the effects the bill could have on wealth building are unknown as it is not possible to ascertain the magnitude of the community wealth built nor the significance it would have on community climate resilience.

As the bill proposes legislation that would build wealth, which is one factor which can improve an individual's and community's climate resilience, OLO anticipates Bill 5-24 may have a small positive impact on the overall community climate resilience.

Recommended Amendments

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.[18] OLO does not offer recommendations or amendments as Bill 5-24 may have a small positive impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

Caveats

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. 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.

Purpose of Climate Assessments

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County's contribution to addressing climate change, specifically upon the County's contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County's adaptative capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

Contributions

OLO staffer Kaitlyn Simmons drafted this assessment.

[1] Aditya Aladangady, et. al., "Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances," Federal Reserve, October 18, 2023.
[2] RESJIS for Expedited Bill 30-21, Office of Legislative Oversight, September 9, 2021.
[3] Madeline Brown, et. al., "The State of Baby Bonds," Urban Institute, February 2023, pg.1.
[4] Ibid, pg. 9

[5] Shira Markoff, et. al, "A Brighter Future with Baby Bonds," The New School Institute on Race, Power and Political Economy and Prosperity Now, February 2024, pgs. 8-9.
[6] Brown, pg. 9
[7] Policy Brief: Bill 5-24 Child Investment Fund, Introduction Staff Report for Bill 5-24
[8] Memorandum from Councilmembers Jawando and Albornoz to Council, Introduction Staff Report for Bill 5-24, Montgomery County Council, March 19, 2024.
[9] Bill 5-24, Introduction Staff Report for Bill 5-24
[10] Ibid.
[11] Ricketts, L.R. and Kent, A. H., How Equitable Wealth Outcomes Could Create A Resilient and Larger Economy; February 28, 2023.
[12] Sherrieb, K. and Galea, S., Measuring Capacities for Community Resilience, January 14, 2010.
[13] Memorandum from Councilmembers Jawando and Albornoz to Council, Introduction Staff Report for Bill 5-24, Montgomery County Council, March 19, 2024.; Brown, M., Biu, O., Harvey, C., & Shanks, T. R., The State of Baby Bonds; The Urban Institute.
[14] American Public Health Association, Climate Change, Health, and Equity: A Guide for Local Health Departments; 2018.; Smith, K. A. and Bailie, K., "How Communities Of Color Are Hurt Most By Climate Change", June 7, 2021.; Joint Center for Political and Economic Studies at the Health Policy Institute, Environmental Justice Through The Eye of Hurricane Katrina, 2008.; Urban Heat Management and the Legacy of Redlining, May 22, 2020.
[15] City of Chicago Office of Equity and Racial Justice and CWB Advisory Council, Community Wealth Building Initiative, Accessed 4/7/2024.
[16] Federal Reserve Bank of San Francisco, "Building Community Wealth through Community Resilience", October 17, 2019.
[17] U.S. Environmental Protection Agency, "Research on Community Resilience to Climate Change", Accessed April 7, 2024.
[18] Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022