

Economic Impact Statement

Montgomery County, Maryland

Bill 28-23

Taxation – Fuel Energy Tax – Green Bank

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 28-23 would have an insignificant short-term impact on economic conditions in the County in terms of the Council's priority indicators. By prohibiting the Green Bank from using the fuel energy tax funds for climate resilience activities, the policy change likely would not affect the Green Bank because it does not intend to pursue these activities in the short-term. However, the Bill could negatively impact economic conditions in the mid- to long-term, if the Green Bank forgoes non-energy climate resilience projects in the future.

BACKGROUND AND PURPOSE OF BILL 28-23

Montgomery County levies a fuel energy tax on every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County.¹ On February 1, 2022, the County Council enacted Bill 44-21, which specified that 10% of the annual revenue received from the fuel energy tax would be given to the Montgomery County Green Bank.²

The Green Bank is a publicly chartered 501c3 nonprofit corporation focused on accelerating energy efficiency, renewable energy, and clean energy investment in the County. They receive funding from the County, in addition to other public and private funders that finance their projects.³

Recently, the Council enacted Bill 3-23 on March 21, 2023, which granted the Green Bank the ability to engage in climate resiliency activities.⁴ The Bill defined climate resiliency projects and activities as:

“designed to support property or community resilience, reliability, and environmental sustainability; property or community environmental health and environmental safety; property or community water conservation and on-site management; sustainable waste treatment; sustainable agricultural activities; and adaption of systems to manage changes to the climate, such as activities responding to extreme weather events.”⁵

Bill 28-23 proposes to restrict the use of fuel energy tax funds by the Green Bank to only support activities related to the investment and financing of clean energy technologies, including renewable energy and energy efficiency projects. The Bill would prohibit the Green Bank from using the tax funds for resilience activities and projects.⁶

¹ "Fuel Energy Tax Information", Montgomery County Government, Accessed 6/23/23.

² Bill 44-21, Montgomery County Green Bank - Funding - Fuel-energy Tax Revenue, Montgomery County Council, Effective date May 13, 2022.

³ "About Us", Montgomery County Green Bank, Accessed 6/23/23.

⁴ Bill 3-23, Environmental Sustainability - Montgomery County Green Bank, Montgomery County Council, Effective date July 3, 2023.

⁵ Ibid.

⁶ Introduction Staff Report for Bill 28-23, Montgomery County Council, June 20, 2023.

Bill 28-23, Taxation – Fuel Energy Tax – Green Bank, was introduced by the Council on June 20, 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 Bill 28-23 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.⁷

In this analysis, OLO performs a qualitative assessment of Bill 28-23’s impacts on the Council’s priority indicators. It draws on the following sources of information:

- Correspondence with personnel from the Green Bank;
- Economic Impact Statements for Bill 44-21 and 3-23; and
- Smith, Gene to GO and T&E Committees, Memorandum: FY23 Operating Budget – Montgomery County Green Bank (MCGB) Non-Departmental Account.

No assumptions are made in this analysis.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 28-23 are the following:

- Total County funding for the Green Bank per year; and
- External funding for the Green Bank to support non-energy climate resilience activities.

IMPACTS

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

Economics of the Green Bank

The Green Bank aims to increase investment in energy efficiency and renewable energy technologies for County residential and commercial properties. To achieve this aim, the Green Bank seeks to attract private capital through de-risking strategies, outreach, and technical assistance, thereby helping to lower the cost of financing these technologies and grow the nascent clean energy market in the County.

According to Green Bank personnel, it has used its capital to induce private investment in clean energy improvements in County buildings that otherwise would have not occurred. This has occurred through:

- attracting private investment to clean energy improvements that otherwise would not have flowed to the County; and

⁷ Montgomery County Code, [Sec. 2-81B](#).

- re-directing investment towards clean energy improvements that otherwise would have flowed to other areas within the County.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 28-23 would have an insignificant short-term impact on certain private organizations, namely the Green Bank and its private partners, in terms of the Council's priority economic indicators.

According to Green Bank personnel, the organization does not expect to pursue climate resiliency projects that do NOT qualify as promoting clean energy in FY24. The Green Bank gained climate reliance authorities in July 2023. Currently, it does not have a project pipeline of non-energy resilience activities and will not be able to pursue these activities until the organization develops the required internal capacity and external funding, as the Green Bank's current funding sources do not support these activities.

However, it is worth noting the Bill potentially could negatively impact the Green Bank and certain County-based providers of climate resilience-related services in the mid- to long-term. If the opportunities to pursue investments in non-energy climate resilience arise, the Green Bank would have to decline them until alternative sources of funding would become available. If this occurs, the Green Bank and County-based providers of climate resilience-related services would be negatively impacted by forgoing projects that otherwise would occur in the absence of the Bill.

More details on future climate resilience projects, which are currently unavailable, would be required for OLO to provide a fuller accounting of potential negative economic impacts.

Residents

OLO anticipates that the Bill would have an insignificant short-term impact on residents in terms of the Council's priority economic indicators. OLO cannot provide a fuller accounting of the mid- to long-term economic impacts on residents due to lack of information.

Net Impact

OLO anticipates the Bill would have an insignificant short-term impact on economic conditions in the County in terms of the Council's priority indicators. By prohibiting the Green Bank from using the fuel energy tax funds for climate resilience activities, the policy change likely would not affect the Green Bank because it does not intend to pursue these activities in the short-term. However, the Bill could negatively impact economic conditions in the mid- to long-term, if the Green Bank forgoes non-energy climate resilience projects in the future.

DISCUSSION ITEMS

Not applicable

WORKS CITED

Epa.gov. "[Climate Adaptation and the EPA's Role](#)." U.S. Environmental Protection Agency. September 19, 2022.

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

Montgomery County Council. [Introduction Staff Report for Bill 28-23, Taxation – Fuel Energy Tax – Green Bank.](#)

Introduced on June 20, 2023.

Office of Legislative Oversight. [Economic Impact Statement: Bill 44-21, Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue.](#)

— [Economic Impact Statement: Bill 3-23, Environmental Sustainability – Montgomery County Green Bank.](#)

Smith, Gene to Government Operations and Fiscal Policy (GO) and Transportation and Environment (T&E) Committees. [Memorandum: FY23 Operating Budget – Montgomery County Green Bank \(MCGB\) Non-Departmental Account.](#) May 2, 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.