

Economic Impact Statement

Montgomery County, Maryland

Bill 3-23

Environmental Sustainability – Montgomery County Green Bank

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 3-23 would have a positive impact on economic conditions in the County in terms of the Council’s priority indicators. The Bill would allow the Montgomery County Green Bank to engage in activities and projects related to climate resilience. As explained below, if this policy change results in greater funding for the Green Bank than would otherwise occur in its absence, the Green Bank likely would leverage a portion of the funds to attract private sector capital investment in climate resilience in the County.

BACKGROUND AND PURPOSE OF BILL 3-23

The Environmental Protection Agency (EPA) defines climate resilience as the capacity of a system to continue functioning in the face of stresses imposed by climate change and to adapt to future climate impacts. Systems include communities, such as Montgomery County.¹ Actions that increase a community’s climate resiliency include building infrastructure that is designed to withstand future climate conditions.

If enacted, Bill 3-23 would modify language in the County Code to allow the Montgomery County Green Bank (hereinafter “Green Bank”) to engage in activities and projects related to climate resilience. Proposed enabling language defines resiliency, sustainability, or climate adaptive projects as:

“[D]esigned 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.”²

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

¹ Epa.gov, “[Climate Adaptation and the EPA’s Role](#).”

² [Introduction Staff Report](#) for Bill 3-23.

³ Mcgreenbank.org, “[About Us](#).”

This Bill would not commit the Green Bank to engage in any specific resilience activities. The Bill also would not require the County to commit any resources to the Green Bank in support of resilience activities.⁴

Bill 3-23, Environmental Sustainability – Montgomery County Green Bank, was introduced by the Council on behalf of the County Executive on January 31, 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 3-23 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.⁵

In this analysis, OLO performs a qualitative assessment of Bill 3-23’s impacts on the Council’s priority indicators. It draws on the following sources of information:

- Correspondence with personnel from the Green Bank and Department of Environmental Protection;
- Economic Impact Statement for Bill 44-21, Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue; 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. Instead, it examines the secondary economic impacts of the Bill, if it results in increased Green Bank funding than it would receive in the absence of the change in law.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 3-23 are the following:

- Total County funding for the Green Bank per year;
- Percentage of funding used to leverage private sector capital investment; and
- Average mobilization ratio (overall private investment/Green Bank investment).

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

⁴ Introduction Staff Report for Bill 3-23

⁵ Montgomery County Code, [Sec. 2-81B](#).

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

Bill 3-23 would allow the Green Bank to engage in activities and projects related to climate resilience. As previously stated, the Bill would not itself increase funding to the Green Bank. However, it creates the potential for increased funding in two ways. First, the County could commit more funds to the Green Bank for projects related to climate resilience in future fiscal years. Second, according to Green Bank personnel, expanding the Green Bank's scope to include climate resilience may position the County to receive federal and state funds than it otherwise would be ineligible to receive.

If its funding increases, the Green Bank likely would leverage some portion of the additional funds to attract private sector capital investment towards climate resilience projects that otherwise would not have flowed to the County.

Businesses, Non-Profits, Other Private Organizations

If Bill 3-23 results in greater Green Bank and private sector capital investment in climate resilience-related projects than otherwise would occur in the absence of the change in law, OLO anticipates certain private organizations in the County would benefit from the change in law in terms of the Council's priority economic indicators. For instance, the beneficiaries may include County-based providers of climate resilience-related services who experience business income gains; and commercial property owners who benefit from greater borrowing opportunities (perhaps with lower financing costs) due to increased Green Bank and private sector investment.

More details on future climate resilience projects, which are currently unavailable, would be required for OLO to provide a fuller accounting of the economic impacts of increased Green Bank and private sector capital investment.

Residents

OLO anticipates certain residents also would benefit in terms of the Council's priority economic indicators, if Bill 3-23 results in greater Green Bank and private sector capital investment in climate resilience-related projects than otherwise would occur in the absence of the change in law. However, OLO cannot provide a fuller accounting of the economic impacts due to lack of information.

Net Impact

If Bill 3-23 results in greater Green Bank and private sector capital investment in climate resilience-related projects than otherwise would occur in the absence of the change in law, the Bill would have a net positive impact on economic conditions in the County in terms of the Council's priority indicators.

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. [Bill 3-23, Environmental Sustainability – Montgomery County Green Bank](#). Introduced on January 31, 2023.

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

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.