

Economic Impact Statement

Montgomery County, Maryland

Bill 2-26, Taxation – Fuel-energy tax – Green Bank – Amendments

Summary

The Office of Legislative Oversight (OLO) anticipates that, in the *near term*, Bill 2-26 would have a neutral impact on economic conditions in the County, as measured by the Council’s priority economic indicators. The Bill may, however, positively impact these conditions over the *longer term*.

The Bill would enhance the Green Bank’s flexibility in how it allocates its funds by permitting it to use fuel-energy tax revenues for climate resilience projects, in addition to clean energy projects. In the *near term*, this would expand the business beneficiaries of their projects to include those focusing on climate resilience. For these businesses, they would likely experience higher revenues and incomes. However, because this policy change would not increase Green Bank funding (only permit more flexible allocation of existing dollars), the net benefit to local businesses would not meaningfully change.

Over the *longer term*, the Bill may improve overall economic conditions in the County by enabling the Green Bank to access state and federal funds focused on climate resilience. These external funds would generate additional economic benefits for local businesses and residents beyond what is possible under current Green Bank funding constraints.

Background and Purpose of Bill 2-26

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. This law specified that 10% of the annual revenue received from the fuel-energy tax would be given to the Montgomery County Green Bank.²

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

In 2023, the Council passed legislation that enabled the Green Bank to finance climate resiliency projects and activities, in addition to clean energy projects.⁴ The Council subsequently passed legislation that restricted the Green Bank from funding resiliency projects with revenues from the fuel-energy tax. Instead, the Green Bank could only use fuel-energy tax revenues to “promote the investment in clean energy technologies and to provide financing for clean energy technologies, including renewable energy and energy efficiency projects.”⁵

¹ ["Fuel Energy Tax Information", Montgomery County Government, Accessed 1/20/2026.](#)

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 1/20/2026.](#)

⁴ [Bill 3-23, Environmental Sustainability - Montgomery County Green Bank, Montgomery County Council, Effective date July 3, 2023.](#)

⁵ [Bill 28-23: Taxation - Fuel Energy Tax - Green Bank, Montgomery County Council, Effective Date November 6, 2023.](#)

If enacted, Bill 2-26 would eliminate this restriction. Instead, the Bill would allow the Green Bank to use funds from the fuel-energy tax to promote or provide financing for resiliency activities, in addition to projects related to clean energy.⁶

The County Council introduced Bill 2-26, Taxation – Fuel-energy tax – Green Bank – Amendments on January 20, 2026.

Information Sources, Methodologies, and Assumptions

As required by Section 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Bill 2-26 on residents and private organizations, using the Council’s priority economic indicators as the measure. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.⁷

This analysis draws on previous OLO economic analyses of legislation on the Green Bank and the fuel-energy tax—namely the Economic Impact Statements on Bills [44-21](#), [3-23](#), and [28-23](#)—as well as OLO communication with Green Bank personnel.

Variables

The primary variables that would affect the economic impacts of enacting Bill 2-26 are the following:

- Leverage ratio
- Total Green Bank funding

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, renewable energy, and climate resilience technologies and improvements for County residential and commercial properties. To achieve this aim, the Green Bank partners with private lenders and investors and uses de-risking financial instruments (e.g., loan loss reserves, credit enhancements, and co-lending/loan participation structures) to provide more affordable and flexible financing options, thereby lowering the cost of financing these technologies and resiliency measures and growing the nascent clean energy and climate resilience market in the County.⁸

The Green Bank has used its capital to induce private investment in clean energy and climate resilience improvements in residential and commercial properties by:

⁶ [Introduction Staff Report for Bill 2-26, Taxation - Fuel-energy tax - Green Bank - Amendments, Montgomery County Council, Introduced January 20, 2026.](#)

⁷ Montgomery County Code, “[Sec. 2-81B, Economic Impact Statements.](#)”

⁸ CohnReznick Advisory LLC, [Montgomery County Green Bank FY26-Y28 Strategic Plan](#) (Montgomery County Green Bank, 2025); National Governors Association, [Green Banks: An Overview for Governors](#), May 15, 2023.

- attracting private investment to clean energy and climate resilience improvements that otherwise would not have flowed to the County; and
- redirecting investment towards clean energy and climate resilience improvements that otherwise would have flowed to other areas within the County.

The effectiveness of these activities can be summarized by the Green Bank’s **leverage ratio**. This concept (also called a “mobilization ratio”) expresses the dollars of private capital invested for each dollar of Green Bank capital. For example, a leverage ratio of 3 to 1 means that if the Green Bank invests \$1 million in a project, it induces an additional \$3 million in private investment, for a total project size of \$4 million. The Green Bank’s baseline leverage ratio has been approximately 3 to 1, and it has set a goal of increasing this ratio to about 5 to 1 over time.⁹

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that, in the *near term*, Bill 2-26 would have a neutral impact on private organizations in the County.

The primary economic stakeholders would be:

- **Commercial and residential property owners** that undertake projects financed through Green Bank-supported investment.
- **Banks, Community Development Financial Institutions (CDFIs), and other lenders** that provide capital alongside the Green Bank.
- **Clean energy contractors and service providers** that design and install energy efficiency, renewable energy, and related clean energy improvements in affected buildings.
- **Climate resilience contractors and service providers** that design and implement resilience and adaptation measures.

The Bill would allow the Green Bank to use the fuel-energy tax revenue it already receives to finance climate resilience activities, in addition to clean energy projects. The Bill would not increase the total amount of funding available to the Green Bank or raise new taxes; instead, it would give the Green Bank more flexibility to direct a share of existing funds toward climate resilience projects in its pipeline.

According to Green Bank staff, many projects in the Green Bank’s climate resilience pipeline already combine clean energy and climate resilience measures. The Bill may change the mix of businesses that benefit from Green Bank-supported investment by shifting some activity toward firms that specialize in resilience work, without increasing the dollar volume of Green Bank financing. For contractors, the Bill may increase demand for firms that perform flood mitigation, stormwater management, extreme-heat adaptation, and related resilience work, while potentially reducing some demand for purely energy-focused projects. For commercial property owners, the Bill may enable resilience-oriented projects that currently cannot be financed.

Over the *longer term*, the Bill may increase public and private injections of capital into climate resilience projects in the County. This could increase demand for contractors and vendors involved in resilience projects that otherwise would not occur. According to Green Bank staff, any such increase in funding would most likely

⁹ CohnReznick Advisory LLC, *Montgomery County Green Bank FY26-Y28 Strategic Plan*; Montgomery County Green Bank. [FY25 Annual Report](#), 2025.

come from state and federal grants focused on climate resilience, which the Green Bank currently cannot access under existing authority.

If the Green Bank can secure additional state and federal resilience-focused grants as a result of this expanded flexibility, these new funding streams would generate a net increase in the economic benefits accruing to local businesses involved in climate resilience projects.

Beyond these potential impacts, OLO cannot determine whether the Bill would affect the Council's other priority economic indicators.

Residents

OLO anticipates that, in the *near term*, Bill 2-26 would have a neutral net impact on residents in the County. The Bill may shift which residents benefit from Green Bank-supported financing, without expanding the overall level of Green Bank investment in the residential sector. However, if the Green Bank uses its expanded flexibility to access new public funding streams dedicated to climate resilience, the Green Bank could offer greater financing opportunities for residential projects that include resilience measures, which would economically benefit participating residents whose properties are more exposed to climate-related risks.

Net Impact

OLO anticipates Bill 2-26 would positively impact overall economic conditions in the County, if it results in the Green Banks accessing external capital.

It is worth noting the Green Bank does not anticipate that greater flexibility in allocating its existing funding would necessarily increase the leverage ratios of its projects. This is because the Green Bank considers various factors when prioritizing projects, not simply its leverage ratio. According to Green Bank personnel, these factors include:

- Climate impact (energy savings, emissions reductions, and resilience benefits);
- Equity impact (benefits to LMI households and residents of Equity Emphasis Areas);
- Additionality and market impact (whether Green Bank financing enables projects that otherwise would not occur or accelerates market uptake);
- Credit quality and repayment risk of prospective borrowers; and
- Leverage ratio and overall capital efficiency.¹⁰

Discussion Items

Not applicable

Caveats

Two caveats to the economic impact analysis conducted 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,

¹⁰ Personal communication, February 26, 2026.

any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

Contributions

Stephen Roblin, PhD (OLO) prepared this report.