

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 44-21: MONTGOMERY COUNTY GREEN BANK —FUNDING— FUEL ENERGY TAX REVENUE

SUMMARY

The Office of Legislative Oversight (OLO) cannot discern the full racial equity and social justice (RESJ) impact of Bill 44-21 without additional information on County programs and services that would have to be cut to provide dedicated funding to the County's Green Bank. Based on available data, OLO anticipates that Bill 44-21 could widen racial and social inequities in the County as its economic development benefits mostly accrue to White residents but could also potentially reduce health inequities if reductions in greenhouse gas emissions target communities of color.

PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of racial equity and social justice (RESJ) impact statements is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.¹ Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.²

PURPOSE OF BILL 44-21

Greenhouse gas (GHG) emissions resulting from burning of fossil fuels is a significant driver of climate change. In Montgomery County, GHG emissions from commercial and residential buildings accounted for half of all GHG in 2018.³ The County's Green Bank provides government-subsidized loans and other services for property owners to reduce their GHG emissions by increasing their energy efficiency. According to the Green Bank, its purpose is to "increase and accelerate investment in energy efficiency and renewable energy in the County."⁴

The goal of Bill 44-21 is to reduce GHG in the County's building sector by creating a dedicated revenue source for the Green Bank. Toward this end, Bill 44-21 would divert 10 percent of the County's Fuel Energy Tax revenue from the General Fund to the Green Bank.⁵ With Fuel Energy Tax revenue of \$175.6 million budgeted for FY22, the annual allocation to the Green Bank would be \$17.6 million if Bill 44-21 were enacted, essentially doubling its 2020 assets.⁶ Bill 44-21 was introduced to the Council on November 16, 2021 and was amended on December 9th to require that at least 20 percent of Green Bank funds be used in Equity Focus Areas – parts of the County characterized by high concentrations of racially and linguistically diverse residents and low-income residents.⁷

ECONOMIC OPPORTUNITY, THE CLIMATE GAP, AND RACIAL EQUITY

Understanding the impact of Bill 44-21 on racial equity and social justice requires understanding the historical context that shapes economic opportunities and the climate gap – the disproportionate and unequal impact that global warming has on people of color and low-income communities. To describe this context, this section describes the drivers of racial inequities in economic opportunity and climate change impact and available data on disparities by race and ethnicity.

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Inequities in Economic Opportunity. Historically inequitable policies have fostered racial and ethnic inequities in economic development among business owners and employees. As noted by the Federal Reserve Bank of Boston:⁸

“(T)he practices and policies that laid the groundwork for and built the U.S. were explicitly designed to ensure an absolute accumulation of intergenerational wealth and concentrated power for white people, particularly men. A legacy of land theft, slavery, racial segregation, disenfranchisement, and other exclusive policies against Black and Indigenous people and people of color produced a racialized economy that decimated these communities and intentionally barred survivors and descendants from building wealth, socioeconomic well-being and resilience.”

Historic and current inequities in economic opportunity result in sizable disparities in business ownership by race and ethnicity. Nationally, Black and Latinx residents represent about 28 percent of the population, but only eight percent of the nation’s business owners with employees.⁹ Locally, Black and Latinx firms each accounted for 15 percent of firms in 2012 and Asian firms accounted for 14 percent of firms, yet Asian firms accounted for only four percent of business revenue, Black firms accounted for 1.7% of business revenue, and Latinx firms accounted for 1.5% of business revenue.¹⁰

Economic inequities also foster racial and ethnic disparities in employment and income. Nearly two-thirds (64 and 62 percent) of White and Asian residents in Montgomery County were employed in management, business, science and arts occupations in 2017 while less than half of Black residents (45 percent) and only a quarter of Latinx residents were employed in such positions.¹¹ This contributes to disparities in incomes by race and ethnicity where the median household income for White families in Montgomery County was \$141,000 and Asian families was \$121,000 compared to \$76,000 for Latinx households and \$73,000 for Black households in 2019.¹²

Economic inequities also foster disparities in poverty rates where three percent of White residents and six percent of Asian residents lived in poverty in 2019 compared to 12 percent of Black residents and 13 percent of Latinx residents.¹³

Inequities in Climate Change. The same historical policies and practices that foster gaps in economic opportunity have fostered gaps in housing opportunities, energy burden, and health outcomes by race and ethnicity through housing segregation that have placed BIPOC communities at greater environmental risk. More specifically:

- Redlining, racial covenants, exclusionary zoning, the Federal Housing Administration, the Social Security Act, GI Bill, and Departments of Transportation policies and practices have fostered **housing segregation** by race and ethnicity that have undermined wealth building and housing equity for Black, Indigenous, and other people of color (BIPOC) residents.¹⁴ Housing segregation has also fostered the concentration of BIPOC residents into: (a) densely populated neighborhoods with fewer trees and larger amounts of impervious surfaces that make them more vulnerable to effects of excessive heat and flood events exacerbated by climate change; and (b) close proximity to polluting facilities and infrastructure like major highways that increase their exposure to pollution and environmental toxins.¹⁵
- Inequities in housing, income, employment and health has fostered **“the climate gap”** - the unequal impact that climate change has on BIPOC and low-income communities due to their higher risk of experiencing the consequences of climate change combined with a lack of resources to adjust to the consequences of climate change.¹⁶ The heightened risk for experiencing the negative consequences of climate change and the diminished ability to adjust to climate change means that BIPOC and low-income communities will suffer more during heat waves with increased illness and deaths, will breathe even dirtier air due to global warming, will pay more for basic necessities, and may have fewer job opportunities with increased climate change.¹⁷

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Examples of racial and ethnic disparities in housing, energy burden, and health that contribute to and result from the climate gap follows.

- **Inequities in Housing and Energy.** Nationally, six to eight percent of Latinx and Black households reside in substandard housing compared to less than three percent of White households. The older-age of affordable housing in Montgomery County and local data on rent-burden suggests that Black and Latinx households in Montgomery County experience higher risks for substandard housing. For example, in 2019, 66 percent of Latinx renters and 60 percent of Black renters experienced rent-burden, expending more than 30 percent of their income on rent compared to 40 percent of White renters and 33 percent of Asian renters.¹⁸ Further, about 17 percent of households are energy-burdened (expending more than six percent of their income on energy bills) and nine percent are living in energy poverty (expending more than 10 percent of their income on energy bills).¹⁹ Conversely, 75 percent of White and Asian households resided in owner-occupied units in 2019 compared to 50 percent of Latinx and Native American households and 42 percent of Black households.²⁰
- **Inequities in Health.** The locating of BIPOC and low-income communities near polluting and environmentally hazardous industries fosters health inequities and disparities that manifest as higher rates of cancer, lung conditions, heart attacks, asthma, low birth weights, and high blood pressure.²¹ The County's Climate Action Plan, for example, shows that communities with high concentrations of BIPOC and low-income residents (greater than 25 percent for each) are located in areas of the County with higher levels of traffic and air pollution.²² Local data also show that Black residents had the highest rates of emergency room visits for chronic lower respiratory diseases (including asthma) at more than 1,538 visits per 100,000 followed by Latinx residents at 815 visits per 100,000 compared to 543 visits per 100,000 White residents.²³

ANTICIPATED RESJ IMPACTS

Considering the anticipated racial equity and social justice impact of Bill 44-21 requires considering the impact of the bill on four sets of stakeholders: property owners, business owners and employees, renters, and residents at large. OLO's analysis of which groups benefit and which groups experience the burdens of Bill 44-21 follows.

- **Residential and Commercial Property Owners – Primary Beneficiaries.** The Green Bank primarily serves property owners as its suite of services are aimed at providing subsidized financing for commercial and residential property owners to increase the energy efficiency of buildings. Data on homeownership suggests that property owners in Montgomery County are disproportionately White and in turn will disproportionately benefit from the services the Green Bank offers with a dedicated revenue stream. These benefits include access to subsidized loans that improve their building's efficiency and potentially their long-term wealth. Of note, Bill 44-21's amendment to allocate at least 20 percent of Green Bank resources to Equity Focus Areas helps to ensure that BIPOC communities also benefit from the bill, but it does not guarantee a proportional or equitable benefit as Equity Focus Areas represent 26 percent of households in the County.²⁴ Moreover, White residents maybe over-represented as property owners in these areas and in turn derive most of the benefit of Green Fund services in Equity Focus Areas.
- **Clean Energy Business Owners and Employees – Primary Beneficiaries.** Contracting opportunities for business owners to retrofit existing buildings with cleaner energy systems will increase under Bill 44-21. Data on business ownership and revenue suggests the businesses benefiting from increased Green Bank investments in Montgomery County are also disproportionately White. However, additional data is needed to discern the demographics of workers most likely to benefit from additional Green Bank subsidized efforts.

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- **Residential and Commercial Renters – Secondary Beneficiaries.** Increased energy efficiency for building owners that make energy investments with the Green Bank could reduce energy use and costs among residential and commercial renters. Data on residential renters suggests that BIPOC residents could benefit disproportionately from reduced energy costs as they are more likely to be renters in the County. They are also more likely to experience housing burden and may be more likely to experience energy burden. However, it remains unclear whether residential property owners will reduce renter's energy costs if they actualize greater energy efficiency as they may instead transfer the cost of the energy efficiency upgrade to their renters. Conversely, data on business owners suggests that commercial renters could be disproportionately White and would benefit the most from reduced commercial rents associated with reduced energy costs.
- **Residents at Large – Secondary Beneficiaries.** If Bill 44-21 works as intended and spurs building owners to invest in cleaner energies, all residents will benefit from reductions in GHG emissions. Further, BIPOC residents may disproportionately benefit from reductions in GHG emissions since they are most vulnerable to the negative consequences of climate change. However, BIPOC residents may be disproportionately burdened by the \$17.6 million decline in General Fund revenue used to support the Green Bank with this bill. Additional data regarding which programs and services would be cut in the County's Operating Budget to offset the resources diverted to the Green Bank are necessary to consider the burden of Bill 44-21 on stakeholders and BIPOC residents in particular to fully understand the racial equity and social justice impact of this bill.

Overall, OLO finds that Bill 44-21 primarily delivers economic benefits to property and business owners that are disproportionately White while offering secondary benefits to renters and other residents that are disproportionately BIPOC. OLO also finds the burdens of the bill could be borne disproportionately among BIPOC residents and may offset the gains in reduced energy costs and GHG emissions they may disproportionately experience. To discern the full RESJ impact of Bill 44-21 additional information on County programs and services that would have to be cut to provide dedicated funding for the Green Bank is required. In the absence of this data, OLO finds Bill 44-21 could moderately widen racial and social inequities since the main beneficiaries of the bill are White residents.

RECOMMENDED AMENDMENTS

The County's Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.²⁵ OLO finds that Bill 44-21 could widen racial and ethnic inequities in the County as its economic development benefits mostly accrue to White residents. Additionally, OLO cannot determine whether the benefits of GHG reductions experienced by all residents and BIPOC residents in particular with increased Green Bank investments exceed the costs of reducing County programs and services to pay for the Green Bank's increased budget.

While available data suggests Bill 44-21 could undermine racial equity and social justice in the County, more information on what specific programs and services would be reduced to fund Bill 44-21 is necessary to fully understand this bill's RESJ implications. Should the Council seek to improve the racial equity and social justice impact of Bill 44-21, the following recommended amendments and practices could be considered.

- **Target Green Bank investments to neighborhoods with the worst air and GHG emissions.**²⁶ Towards this end, researchers recommend using mapping to identify vulnerable neighborhoods, measuring the success of mitigation strategies by whether they protect everyone, and designing research that identifies opportunities for targeting greenhouse gas reductions to reduce toxic air emissions in highly polluted neighborhoods.²⁷

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- **Increase set aside for Equity Emphasis Areas from 20 percent to 30 percent at minimum.** Equity Emphasis Areas account for 26 percent of the County’s population so a 20 percent set aside is not proportionate if the needs of Equity Emphasis Areas were proportionate to other areas of the County. Moreover, available data suggests that the need for GHG reduction investments is higher in Equity Emphasis Areas. To ensure that energy efficiency resources match need, the Equity Emphasis Area set aside could be increased to 30 percent or more.
- **Require the Green Bank to encourage property owners to partner with Minority Business Enterprises to deliver energy efficiency services and products.** The economic development benefits of Bill 44-21 are significant and to the extent possible, should be used to reduce racial inequities in business ownership rather than widen them. Encouraging property owners to seek out minority-owned businesses to deliver services and partnering with minority vendors and business associations toward this end could foster equitable economic development that benefits a broader set of business interests in the County by race and ethnicity.
- **Dedicate a share of Green Bank resources to clean energy workforce development programs for County residents and BIPOC residents in particular.** Clean energy jobs can provide a pathway to economic success and living wage occupations for County residents and BIPOC residents in particular who often experience higher rates of unemployment and underemployment, especially among Black youth. Clean energy workforce development programs for local residents can assist clean energy small businesses seeking to employ a capable workforce and create a pipeline for staffing future clean energy opportunities that align with the County’s Climate Action Plan.
- **Ensure cuts to the Operating Budget to pay for Green Bank revenue do not foster racial and social inequities.** Ideally, the County should not foster racial and social inequities in other County programs and services by shifting General Fund revenues from one worthy set of policy priorities to another. To ensure this does not occur, the Council could consider waiting to enact or implement Bill 44-21 until an analysis is undertaken to identify which County programs and services could be reduced or shifted to create a dedicated funding stream for the Green Bank. The Council may also want to undertake an analysis with the Executive Branch to identify recommended cuts that continue services deemed essential to holding racial equity and social justice in the County harmless. To maintain the County’s current level of racial and social equity while advancing the Green Bank’s efforts to encourage additional investments in energy efficiency, alternate revenue sources to support the Green Bank could also be considered.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than 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

OLO staffer Dr. Elaine Bonner-Tompkins, Senior Legislative Analyst, drafted this RESJ impact statement.

¹ Definition of racial equity and social justice adopted from “Applying a Racial Equity Lens into Federal Nutrition Programs” by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools <https://www.racialequitytools.org/glossary>

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- ² Ibid
- ³ Montgomery County Climate Action Plan, June 2021
- ⁴ See Green Bank presentation attachment in Robert Drummer memorandum to Government Operations and Fiscal Policy and Transportation and Environment Committees, Bill 44-21, Montgomery County Green Bank – funding – Fuel Tax Revenue, December 6, 2021.
- ⁵ Montgomery County Council, Bill 44-21, Montgomery County Green Bank – Funding- Fuel Energy Tax Revenue, November 16, 2021
- ⁶ See Office of Management and Budget Fiscal Impact Statement and 2020 Annual Report for Green Bank attachment in Robert Drummer memo.
- ⁷ Montgomery Planning, The Equity Focus Area Analysis
- ⁸ Field Note, 2020-2, December 2020 – Turning the Floodlights on the Root Causes of Today’s Racialized Economic Disparities: Community Development Work at the Boston Fed Post-2020, Regional and Community Outreach
- ⁹ Joseph Parilla and Darin Redus, How a new Minority Business Accelerator grant program can close the racial entrepreneurship gap. Brookings, December 9, 2020
- ¹⁰ Jupiter Independent Research Group, Racial Equity Profile Montgomery County, OLO Report 2019-7, Office of Legislative Oversight, July 15, 2019
- ¹¹ American Community Survey, 1 Year Estimates, 2019, Table S0201
- ¹² Ibid
- ¹³ National Equity Atlas, 2021
- ¹⁴ Kilolo Kijakazi, et al, The Color of Wealth in the Nation’s Capital, November 2016
<https://www.urban.org/research/publication/color-wealth-nations-capital>
- ¹⁵ Iverson, L.R. and E.A. Cook, Urban Forest Cover of the Chicago Region and Its Relation to Household Density and Income, Urban Ecosystems, 2000 cited in Zero Cities Project, Equity Assessment Tool and Rolf Pendall, A Building Block for Inclusive Housing for Community Level Diversity, Participation and Cohesion, Urban Institute, September 2017 cited in Zero Cities Project, Equity Assessment Tool https://www.usdn.org/uploads/cms/documents/equity_assessment_tool_-zero_cities_project_-_race_forward_2019.pdf
- ¹⁶ Rachel Morello-Frosch, et al, The Climate Gap: Inequities in How Climate Change Hurts Americans and How to Close the Gap, Dornsife Center, University of Southern California, 2009
- ¹⁷ Ibid
- ¹⁸ American Community Survey, Gross Rent as a Percentage of Household Income, 2019 1-Year Estimates, United States Census Bureau. <https://data.census.gov/cedsci/table?t=-00%20%20All%20available%20races%3AIncome%20and%20Poverty%3ARace%20and%20Ethnicity&g=0500000US24031&tid=ACSSPP1Y2019.S0201>
- ¹⁹ Montgomery County Climate Action Plan, June 2021
- ²⁰ Calculations based on American Community Survey, 2019 1-Year Estimates, Table ID S2502.
- ²¹ Rolf Pendall and American Public Health Association, Climate Change, Health, and Equity: A Guide for Local Health Departments, https://www.apha.org/-/media/Files/PDF/topics/climate/Guide_Section2.ashx
- ²² Montgomery County Climate Action Plan
- ²³ Health in Montgomery County, 2008 – 2016: A surveillance report on population health, <https://www.montgomerycountymd.gov/HHS/Resources/Files/Reports/PopHealthReportFINAL.pdf>
- ²⁴ Montgomery Planning, The Equity Focus Area Analysis
- ²⁵ Montgomery County Council, Bill 27-19, Administration – Human Rights - Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee - Established
- ²⁶ Recommendation consistent with Montgomery County Climate Action Plan goal to “prioritize people and community that are the most vulnerable and most sensitive to the impact of climate change.”
- ²⁷ Rachel Morello-Frosch, et al.