

# Racial Equity and Social Justice (RESJ) Impact Statement

## Office of Legislative Oversight

### EXPEDITED BOND AUTHORIZATION BILL 1-24:

#### SUMMARY

The Office of Legislative Oversight (OLO) finds the anticipated racial equity and social justice (RESJ) impact of Expedited Bill 1-24 is indeterminate.

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#### PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of RESJ impact statements (RESJIS) 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, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.<sup>1</sup> 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.<sup>2</sup>

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#### PURPOSE OF EXPEDITED BILL 1-24

The Capital Improvements Program (CIP) refers to the County's budget for capital improvements, which are long-term investments for public infrastructure.<sup>3</sup> According to the Department of Finance, the "County issues General Obligation (G.O.) Bonds once a year to fund major [CIP] projects such as schools, roads, and other government facilities."<sup>4</sup> The U.S. Securities and Exchange Commission describes that G.O. bonds "are issued by states, cities or counties and not secured by any assets. Instead, [they] are backed by the 'full faith and credit' of the issuer, which has the power to tax residents to pay bondholders."<sup>5</sup>

Expedited Bill 1-24 would authorize the County to issue up to \$289 million in G.O. bonds to help fund appropriations approved in the Amended FY23-28 CIP.<sup>6</sup> Currently, there is insufficient bond authorization in certain CIP expenditure categories to fully cover the increased appropriation level.<sup>7</sup>

The Council introduced Expedited Bill 1-24, Bond Authorization, at the County Executive's request on January 16, 2024.

This RESJIS builds on the RESJ analysis for Expedited Bill 19-22, Bond Authorization, which OLO published in June 2022.<sup>8</sup> Please refer to this RESJIS for background on racial equity and capital improvement planning.

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#### ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 1-24 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who are the primary beneficiaries of this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

There are several unknown factors for understanding these two questions, including:

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- How current CIP funding is allocated per capita by race, ethnicity, income, and/or Census tract and how this compares to prior years; and
- How prior CIP funding has been allocated to vendors by race and ethnicity.

These benchmarks are necessary to discern how increased funding for the current CIP through the bond authorization could affect community members and local businesses by race and ethnicity.

Further, anticipating the RESJ impact of Bill 1-24 also requires a RESJ analysis of the tradeoff of shifting funding from County programs and services to debt service in the County's operating budget in future years. Outstanding questions include:

- What programs and services would be cut to offset the increase in debt service in the operating budget?
- What demographic groups by race, ethnicity, or income would be most harmed by these shifts?
- What neighborhoods would be most harmed?
- How do these impacts compare to the demographic groups or neighborhoods that benefit most from CIP investments?

Given the unknown factors, OLO finds the anticipated RESJ impact of Bill 1-24 is indeterminate.

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## RECOMMENDED AMENDMENTS

The 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.<sup>9</sup> OLO finds the anticipated impact of Expedited Bill 1-24 is indeterminate. As such, OLO does not offer recommended amendments. However, should the Council seek to improve the RESJ impact of this Bill, the following policy options can be considered:

- **Commission equity review of the Capital Improvements Program.** To understand and address potential racial inequities in capital investments, the Council could consider commissioning a comprehensive equity review of the CIP. For instance, in 2019, the Baltimore City Department of Planning (DoP) partnered with the Baltimore Neighborhood Indicators Alliance (BNIA) to develop a methodology for conducting an annual equity analysis of the City's CIP.<sup>10</sup> Since the release of the original report, the DoP has continued an annual equity review of the CIP through analyzing CIP investments in the City's 55 Community Statistical Areas (CSAs) along with the CSAs' race and income demographics.<sup>11,12</sup> The analysis also accounts for the varying influence of CIP projects by identifying projects as having local, multi-neighborhood, or Citywide impacts.
- **Increase access to CIP construction opportunities to Black, Indigenous, and Other People of Color (BIPOC)-owned businesses and workers.** The County's 2014 Disparity Study found that Black-owned firms accounted for 11 percent of the construction marketplace compared to less than 2 percent of prime contracts with the County.<sup>13</sup> Conversely, White male firms accounted for 74 percent of the construction marketplace and 79 percent of prime contracts, and Latinx-owned firms accounted for 6 percent of the construction marketplace and 13 percent of prime contracts.<sup>14</sup> The Council could advance RESJ by supporting policies and investments that encourage proactive identification and contracting of BIPOC-owned businesses for CIP funded projects and other project needs.

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### 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.

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<sup>1</sup> 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>

<sup>2</sup> Ibid.

<sup>3</sup> [Montgomery County Capital Budget](#), Office of Management and Budget.

<sup>4</sup> [Debt Management](#), Montgomery County Department of Finance.

<sup>5</sup> [“What Are Municipal Bonds.”](#) U.S. Securities and Exchange Commission, April 6, 2023.

<sup>6</sup> [Introduction Staff Report for Expedited Bill 1-24](#), Montgomery County Council, Introduced January 16, 2024.

<sup>7</sup> Fiscal Impact Statement, Introduction Staff Report for Expedited Bill 1-24

<sup>8</sup> [RESJ Impact Statement for Expedited Bill 19-22](#), Office of Legislative Oversight, June 29, 2022.

<sup>9</sup> Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council

<sup>10</sup> Baltimore Neighborhood Indicators Alliance, [“Equity Analysis of Baltimore City’s Capital Improvement Plan, FY 2014 – FY 2020”](#), Baltimore City Department of Planning, August 2019.

<sup>11</sup> [CIP and Equity](#), Baltimore City Department of Planning.

<sup>12</sup> Community Statistical Areas, developed by the City’s DoP, are clusters of neighborhoods organized around census tract boundaries. Refer to [Vital Signs: Community Statistical Areas](#), Baltimore Neighborhoods Indicators Alliance.

<sup>13</sup> Griffin & Strong, PC, [“Disparity Study Final Report.”](#) Montgomery County Office of the County Attorney, June 11, 2014.

<sup>14</sup> Ibid