

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 2-26: TAXATION – FUEL-ENERGY TAX – GREEN BANK – AMENDMENTS

SUMMARY

The Office of Legislative Oversight (OLO) finds the anticipated racial equity and social justice (RESJ) impact of Bill 2-26 is indeterminate. Black, Indigenous, and other People of Color (BIPOC) community members could disproportionately benefit from additional resources for the Green Bank to fund climate resiliency projects, since they are most harmed by the effects of climate change. However, based on data from past Green Bank investments, it is unclear the extent to which BIPOC community members will benefit from climate resiliency investments enabled by Bill 2-26.

PURPOSE OF RESJ IMPACT STATEMENTS

RESJ impact statements (RESJIS) evaluate the anticipated impact of legislation on racial equity and social justice in the County. RESJ is a **process** that focuses on centering the needs, leadership, and power of Black, Indigenous, and other People of Color (BIPOC) and communities with low incomes. RESJ is also a **goal** of eliminating racial and social inequities. Applying a RESJ lens is essential to achieve RESJ.¹ This involves seeing, thinking, and working differently to address the racial and social inequities that cause racial and social disparities.²

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.³ 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.⁴

The Montgomery County Green Bank is a publicly chartered 501c3 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 contributors.⁵

In 2023, the Council passed legislation that enabled the Green Bank to finance climate resiliency projects and activities, in addition to clean energy projects.⁶ Subsequently, the Council 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.”⁷

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.⁸ Of note, County law defines:⁹

- *Clean energy technologies* as measures addressing energy resources and emerging energy technologies, including renewable energy systems and sources, renewable energy projects, energy efficiency projects, alternative fuels used for electricity generation, alternative fuel vehicles and related infrastructure such as electric vehicle charging station infrastructure, and smart grid and battery storage; and

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- *Resiliency, sustainability, or climate adaptive projects* as measures 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 adaptation of systems to manage changes to the climate, such as activities responding to extreme weather events.

The County Council introduced Bill 2-26 on January 20, 2026.

This RESJIS builds on the ones for Expedited Bill 27-25, Environmental Sustainability – Community Choice Aggregation (CCA) – Established,¹⁰ and Bill 25-22, Forest Conservation – Trees.¹¹ Please refer to these RESJISs for more background on environmental justice, energy justice, and the government’s role in creating the climate gap.

CLIMATE JUSTICE, GREEN BANKS AND RACIAL EQUITY

Climate change refers to long-term global shifts in temperature and weather patterns.¹² Climate change is mainly driven by the burning of fossil fuels from human activities. This includes generating power from burning coal, oil, and gas, cutting down forests, and using transportation that runs on fossil fuels, among others.¹³ Climate change has far-reaching consequences on public health, community assets, and the economy. The County’s Climate Action Plan describes that, “[e]xtreme heat, severe storms, and drought are among the greatest climate threats to the County.”¹⁴ While climate change affects all community members, structural racial inequities make BIPOC and low-income community members most susceptible to its harmful effects.¹⁵

The term “climate gap” refers to the unequal impact that climate change has on BIPOC and low-income communities. As noted by researchers at the University of Southern California, the climate gap means that BIPOC and low-income communities will likely suffer more from extreme heat waves and increased air pollution; pay more for basic necessities; and have reduced or shifting job opportunities as a result of climate change. Drivers of the climate gap include racial inequities in health and health care, employment, housing, and transportation.¹⁶ These inequities are rooted in a legacy of government policies and practices – including land theft, slavery, and segregation – that structurally advantaged White people and structurally oppressed and disadvantaged BIPOC.¹⁷

Rooted in the environmental justice movement, the climate justice movement recognizes the disproportionate impacts of climate change on low-income communities and communities of color around the world. Climate justice responds to climate injustice, where “[t]hose who are most affected and have the fewest resources to adapt to climate change are also the least responsible for the greenhouse gas emissions—both globally and within the United States.”¹⁸ The first Climate Justice Summit was organized in the year 2000 by activists from developing countries in response to COP6, the sixth session of the United Nations Framework Convention on Climate Change. As noted by the Solutions Project:

"COP6 was dominated by developed countries creating climate “solutions” for underdeveloped countries. The Climate Justice Summit was an opportunity for underdeveloped nations, mostly a part of the global south, to speak for themselves about what solutions would realistically work for them.”¹⁹

According to the Center for Climate Justice at the University of California, the six pillars of climate justice include:

- **A just transition** from fossil-fuel based economies to equitable, regenerative, renewable energy-based systems that emphasize employment in renewable energy and other green sectors, sustainable land use practices, and broader political economic transformations;
- **Social, racial and environmental justice**, which are deeply entangled with climate justice;

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- **Indigenous Climate Action** that amplifies the voices of Indigenous people who are leading efforts in climate change mitigation and adaptation across the globe and promote Indigenous sovereignty;
- **Community resilience and adaptation** from a social justice and equity perspective that supports local communities in developing their own solutions and allows them to benefit directly from local climate action;
- **Natural climate solutions** that recognize the importance of forests and agricultural lands as critical ecosystems for equitable climate action; and
- **Climate education and engagement** that dispels denial and misunderstanding surrounding the climate crisis and educates on how climate change is deeply intertwined with other social, racial, and environmental issues.

Green banks. As described by the Coalition for Clean Capital, green banks are "mission-driven institutions that use innovative financing to accelerate the transition to clean energy and fight climate change." According to the coalition, 41 green banks have been established across the U.S.²⁰ Created by County law in 2015,²¹ the Montgomery County Green Bank is one of three green banks in Maryland.

By making targeted investments in BIPOC communities most impacted by the climate gap, green banks can be an important tool for advancing climate justice.^{22,23} As noted by staff at the Southern Environmental Law Center, green banks "strategically address energy burden, create green jobs, and foster economic development in communities that have historically been disproportionately impacted by pollution."²⁴ Existing green banks have integrated climate justice-oriented goals to varying degrees. For example, in the County, 20 percent of County funding for the Montgomery County Green Bank must be used for projects in Equity Emphasis Areas (EEAs).²⁵ EEAs are Census tracts that "have high concentrations of low-income individuals and/or traditionally disadvantaged racial and ethnic population groups."²⁶ Of note, the Green Bank's EEA lending goal falls just short of being proportionate, as 25 percent of the County's population resides in EEAs.²⁷

Conversely, in New York, the New York Green Bank establishes goals for advancing climate equity that are included in their annual report. Climate equity goals for the upcoming fiscal year include:²⁸

- Investing \$50 million in transactions under the Community Decarbonization Fund, a "lending pathway available to CDFIs [Community Development Financial Institutions] and mission-driven lenders to enable them to provide more capital to eligible projects benefitting residents of disadvantaged communities;"²⁹
- Investing at least 40 percent of NY Green Bank capital in projects benefitting disadvantaged communities;³⁰ and
- Promoting community engagement by requiring borrowers to obtain evidence of community support for proposed multi-family housing projects located in disadvantaged communities.

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 2-26 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who would primarily benefit or be burdened by this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

The Green Bank makes loans to commercial customers (i.e., businesses and non-profit entities), not directly to community members. Thus, commercial customers that want to pursue climate resiliency projects would benefit from the Green Bank having additional resources to fund these projects. Because of the climate gap, BIPOC are

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disproportionately harmed by the effects of climate change. To the extent the Green's Banks commercial customers serve BIPOC community members, they could especially benefit from climate resiliency projects that help respond to the effects of climate change.

To estimate the demographics of community members that could benefit from Bill 2-26, OLO sought information on the Green Bank's past lending. Regarding investments benefiting BIPOC and low-income community members, the Green Bank reported that in FY25, of \$23.2 million in total loans deployed:³¹

- \$8.3 million (37 percent) were deployed in EEAs; and
- \$2.1 million (9 percent) were deployed for projects directly benefitting low- and moderate-income households (households with incomes at or below 80 percent of the area median income), such as loans for rooftop solar and EV charging stations at affordable housing projects.

Additionally, Figure A in the Appendix shows a map with the Green Bank's investments throughout the County in 2025. The map also includes the County's census tracts, which are shaded in different colors to show the racial or ethnic group with the largest population in the tract. Figure A shows Green Bank investments are mostly located in census tracts where White community members are the largest racial group. Conversely, Green Bank investments are sparsely located in census tracts where Black, Latinx, or Asian community members are the largest racial group.

Taken together, OLO finds the anticipated racial equity and social justice (RESJ) impact of Bill 2-26 is indeterminate. BIPOC community members could disproportionately benefit from additional resources for the Green Bank to fund climate resiliency projects, since they are most harmed by the effects of climate change. However, based on data from past Green Bank investments, it is unclear the extent to which BIPOC community members will benefit from climate resiliency investments enabled by Bill 2-26.

RECOMMENDED AMENDMENTS

The County's RESJ Act requires OLO to consider whether to recommend amendments to bills that could reduce racial and social inequities and advance RESJ.³² OLO finds the anticipated RESJ impact of Bill 2-26 is indeterminate. As such, OLO does not offer recommended amendments. However, should the Council seek to improve the RESJ impact of this Bill, OLO offers one policy option for Council consideration.

- **Request more detailed RESJ data collection and reporting for Green Bank investments.** The Council could require the collection of race and ethnicity data for the Green Bank's commercial customers. This would enable the Green Bank to report on investments by race and ethnicity. For commercial customers where race and ethnicity data may be unavailable, the Council could require the Green Bank to report on investments by entity type (e.g., affordable housing development, faith-based organization, small business, etc.) and location. More detailed reporting of RESJ data would give a baseline understanding of potential racial and ethnic disparities in Green Bank investments, which could be used to identify opportunities for enhancing RESJ.

CAVEATS

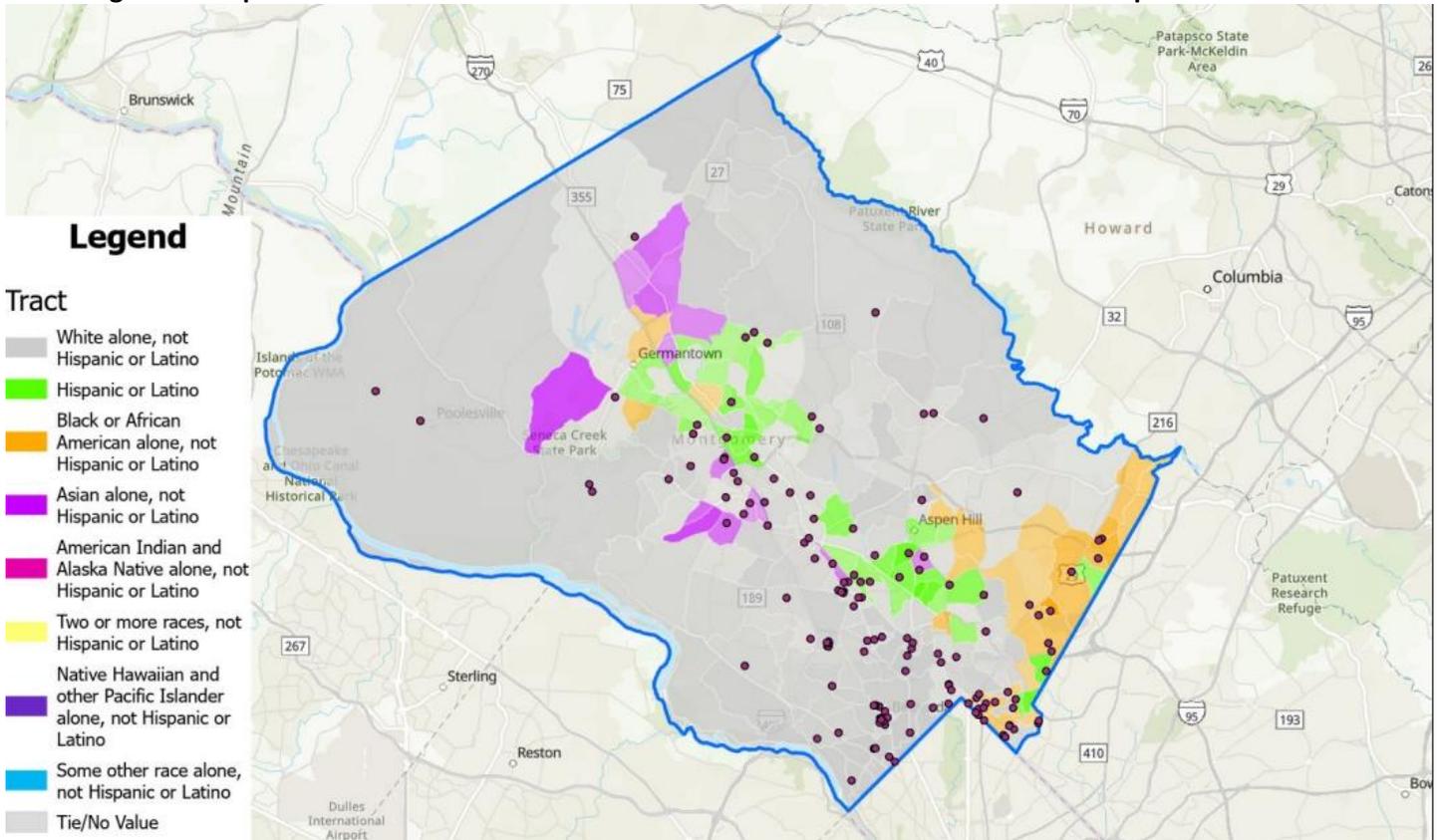
Two caveats to this RESJIS should be noted. First, predicting the impact of bills on RESJ is challenging due to data limitations, uncertainty, and other factors. Second, this RESJIS is intended to inform the Council's decision-making process rather than determine it. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

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APPENDIX

Figure A. Map of 2025 Green Bank Investments and Predominant Racial or Ethnic Group in Census Tracts



Source: Montgomery County Green Bank and 2023 American Community Survey 5-Year Estimates, Census Bureau.

¹ Definition of racial equity and social justice adopted from [Marlysa Gamblin et al., "Applying Racial Equity to U.S. Federal Nutrition Programs," Bread for the World and Racial Equity Tools.](#)

² Ibid.

³ ["Fuel Energy Tax Information,"](#) Montgomery County Government.

⁴ [Bill 44-21,](#) Montgomery County Council, Effective May 13, 2022.

⁵ ["About Us,"](#) Montgomery County Green Bank.

⁶ [Bill 3-23,](#) Montgomery County Council, Effective July 3, 2023.

⁷ [Bill 28-23,](#) Montgomery County Council, Effective November 6, 2023.

⁸ [Introduction Staff Report for Bill 2-26,](#) Montgomery County Council, Introduced January 20, 2026.

⁹ [Montgomery County Code Sec. 18A-45.](#)

¹⁰ [RESJIS for Expedited Bill 27-25,](#) Office of Legislative Oversight, September 2, 2025.

¹¹ [RESJIS for Bill 25-22,](#) Office of Legislative Oversight, October 4, 2022.

¹² ["What is Climate Change?,"](#) Climate Action, United Nations.

¹³ ["Causes and Effects of Climate Change,"](#) Climate Action, United Nations.

¹⁴ ["Montgomery County Climate Action Plan,"](#) Department of Environmental Protection, June 2021.

¹⁵ Ibid.

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¹⁶ Rachel Morello-Frosch, et al, [“The Climate Gap: Inequalities in How Climate Change Hurts Americans & How to Close the Gap.”](#) Dornsife Center, University of Southern California, May 2009.

¹⁷ [RESJIS for Bill 25-22.](#)

¹⁸ [“Environmental and Climate Justice Issues.”](#) The Solutions Project citing [“Energy and Climate Justice.”](#) Environmental Center, University of Colorado Boulder.

¹⁹ [“Environmental and Climate Justice Issues.”](#)

²⁰ [“What is a Green Bank,”](#) Coalition for Green Capital.

²¹ [“Montgomery County Green Bank,”](#) Montgomery County Government.

²² [“Environmental Justice Leaders Highlight Historic Opportunity to Reach Disadvantaged Communities with a National Green Bank,”](#) Coalition for Green Capital.

²³ Ava Gallo, [“Green Banks,”](#) National Caucus of Environmental Legislators.

²⁴ [“What are green banks?”](#) Southern Environmental Law Center, July 10, 2025.

²⁵ [Montgomery County Code Sec. 18A-49.](#)

²⁶ [Equity Emphasis Areas \(EEAs\),](#) Metropolitan Washington Council of Governments, April 3, 2025.

²⁷ [“Equity Emphasis Areas: A tool to prioritize and invest in communities,”](#) Metropolitan Washington Council of Governments, September 24, 2021.

²⁸ [NY Green Bank 2024-25 Impact Report,](#) NY Green Bank.

²⁹ [“Community Decarbonization Fund,”](#) NY Green Bank.

³⁰ In New York, disadvantaged communities are geographically identified by multiple indicators that represent environmental burdens or climate change risks within a community, or population characteristics and health vulnerabilities that can contribute to more severe adverse effects of climate change. The criteria for disadvantaged communities was developed by New York’s Climate Justice Working Group, comprised of representatives from state agencies and environmental justice groups in New York. [Disadvantaged Communities Criteria Fact Sheet,](#) New York State.

³¹ OLO communication with Green Bank staff on February 10, 2026.

³² [Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council.](#)