Montgomery County Council

Committee: Joint
Committee Review: Completed
Staff: Robert H. Drummer, Senior Legislative Attorney
Purpose: Final action – vote expected
Keywords: #GreenBank; #FuelEnergyTax

AGENDA ITEM #10B
February 1, 2022
Action

SUBJECT

Bill 44-21, Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue

Lead Sponsor: Council President Hucker and Councilmember Friedson

Co-Sponsors: Council Vice-President Albornoz and Councilmembers Riemer, Navarro, Katz, Rice and Jawando

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- The Government Operations & Fiscal Policy and Transportation & Environment Committees unanimously recommended (6-0) approval of the bill with amendments placing certain restrictions on the Green Bank's use of the County funds.

DESCRIPTION/ISSUE

- How would dedicating a portion of the fuel-energy tax to the Green Bank affect other priorities?
- What, if any, restrictions should the County place on the use of the funding by the Green Bank?

SUMMARY OF KEY DISCUSSION POINTS

- What would the dedicated revenue buy the County?

<u>This report contains:</u>

F:\LAW\BILLS\2144 Green Bank - Fuel-energy tax - funding\Action Cover Sheet.Docx

Agenda Item #10B
February 1, 2022
Action

M E M O R A N D U M

January 27, 2022

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney

SUBJECT: Bill 44-21, Montgomery County Green Bank – Funding – Fuel Tax Revenue

PURPOSE: Final Action – roll call vote expected

Committee recommendation (6-0): enact the Bill with amendments.

Bill 44-21, Montgomery County Green Bank – Funding – Fuel Tax Revenue, with Lead Sponsors Council President Hucker and Councilmember Friedson, and Co-Sponsors Council Vice-President Albornoz and Councilmembers Riemer, Navarro, Katz, Rice and Jawando, was introduced on November 16, 2021. A public hearing was held on December 7, 2021 at 1:30 p.m. and a joint Government Operations & Fiscal Policy and Transportation & Environment Committee worksession was held on December 9, 2022.[1]

Background

The Montgomery County Green Bank (MCGB) was established by Bill 18-15, enacted by the Council on June 30, 2015 and signed into law by the Executive on July 7, 2015. The Green Bank promotes the investment in clean energy technologies in the County by offering financing structures to lower the cost of financing these technologies for County residential and commercial properties. The fuel-energy tax is levied and imposed on every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County. The Council budgeted $175,651,251 for energy tax revenue in FY22.

Bill 44-21 would mandate that the Council appropriate 10% of the fuel-energy tax revenue to the County Green Bank each year in the annual operating budget. The County Attorney's Office (OCA) found no legal issues with the Bill ©7. As OCA pointed out, even if this Bill is enacted, the Council can change the amount dedicated to the Green Bank for a specific year when adopting the operating budget. OMB estimated that the Bill would reduce revenue for the General Fund by $17.6 million each year (©9). This reduction in the General Fund would need to be made up by either reducing expenditures on other programs or increasing revenues.

[1]#GreenBank; #FuelEnergyTax

The Bill, as amended by the joint Committee would require the Green Bank to use 20% of the funds allocated by the County in equity emphasis areas and 15% of the funds for reducing the cost of energy projects undertaken by property owners. The Committee also amended the Bill to prohibit the use of the County funds to install new or retrofitted mechanical energy appliances that use fossil fuels.

Public Hearing

Adriana Hochberg, Acting DEP Director, testifying on behalf of the Executive, raised concern for the automatic allocation of 10% of the fuel-energy tax revenue for the Green Bank outside of the normal budget process (©40). Ms. Hochberg suggested that if the Council decides to allocate a certain percentage of tax revenue for climate change, that the funds should be allocated among the different County funded climate change activities. Ms. Hochberg also suggested that any funds allocated to the Green Bank be distributed through a contract with DEP that includes performance measures. Tom Deyo, Green Bank CEO supported the Bill as introduced and explained how the new funding could be used (©44). Green Bank Board Member Marissa Ramirez similarly supported the Bill as introduced (©58). Herb Simmens, representing The Climate Mobilization, and Mike Tidwell, representing Chesapeake Climate Action, each supported the Bill but requested an amendment to prohibit the use of the funds for fossil fuel systems. Michelle Moore also supported the Bill.

The Council also received written testimony from Georgette "Gigi" Godwin, representing the County Chamber of Commerce (©57), Diana Younts, Takoma Park Mobilization (©41), and Oswaldo Acosta, CityFirst (©60), supporting the Bill.

GO and T&E Worksession

Tom Deyo, Green Bank CEO and Steve Morel, Green Bank represented the Green Bank. Adriana Hochberg, Assistant CAO and Michael Coveyou, Finance Director, represented the Executive Branch. Senior Legislative Attorney Robert Drummer represented the Council staff. Tom Deyo made a presentation about the goals, methods, and current financing of the Green Bank for the Committee. The Committee discussed the need to finance the Green Bank to mitigate climate change and the reduction in budget flexibility that would result from the Bill.

Councilmember Friedson moved an amendment to require the Bank to use 20% of its County funds for projects in equity emphasis areas and 15% of the County funds for reducing the cost of energy projects undertaken by property owners. The Committee approved the amendment 6-0.

Councilmember Riemer moved an amendment to prevent the Bank from using County funds to install new or retrofitted mechanical energy appliances that use fossil fuels. The Committee approved this amendment 6-0, but asked Council staff to work with the Bank to agree on final language for the amendment.

The Committee recommended approval of the Bill 6-0 with these amendments.

Issues

1. What funds does the Green Bank have?

Tom Deyo, Green Bank CEO, provided several documents explaining the operation of the Green Bank. The 2020 Annual Report from the Green Bank is at ©22, a PowerPoint presentation prepared by the Green Bank is at ©26, and Frequently Asked Questions and Answers prepared by the Green Bank is at ©38. The MCGB explained the County funding it has received to date as follows:

> Under the contract between Montgomery County and the Green Bank, the Green Bank was provided one-time funding for its capital base. This funding from settlement funds from Pepco-Exelon and Altagas came over three years with the most significant amount in mid-2019. The funding provided several requirements for use. The total funding for capital provided to the Green Bank was $16.7 million with $15.2 million from the Pepco-Exelon settlement funds limited to the Pepco service territory of Montgomery County. See MCGB FAQ at ©38.

This County funding was provided with certain restrictions on its use. Approximately $2.6 million was set aside for low- and moderate-income households and multifamily properties, $1.7 million for nonprofits, $3.0 million for common ownership communities, and the remaining $9 million for general use. Bill 44-21, as introduced, would not include any restrictions on the use of the annual $17.6 million directed to the Green Bank from the fuel-energy tax. As described above the Committee amended the Bill to include certain restrictions on the use of the County funds.

The 2020 Annual Report shows total net assets of $18.12 million at ©22.[2] The Green Bank has also received $1.2 million in grant funds from private foundations in addition to the County funding.

2. How has the Green Bank used its funds?

The Green Bank was established to increase and accelerate investment in energy efficiency and renewable energy in the County. While the Green Bank may simply fund a project in full, the Bank has used its funds in 3 different ways to leverage its available funds. The goal of the Bank is to target at least a 4:1 leverage as a portfolio of its capital with private market capital. The Bank provides loan guarantees or "insurance" for certain projects that can induce a private lender to go forward with a project by reducing the risk of loss. The Bank also has participated with a private lender on a project to reduce the interest rate charged by purchasing a portion of the loan or becoming a joint lender. Finally, the Bank has also made direct loans for a project to get it moving and then attempts to sell the loan to a private lender after the project is complete. Interest on direct loans and fees for loss reserves are earned income that the Bank can reuse as capital.

According to the Bank, it has committed $5 million to projects with approximately $6 million in the pipeline for investment in future projects. The Bank believes there is at least $60 million more in demand for prospective projects if it had the funding. The Green Bank believes that demand for these projects will increase substantially if the Council enacts Bill 16-21, Environmental Sustainability – Building Energy Performance Standards.

3. How would Bill 44-21 affect other County programs in the operating budget?

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[2] The County also provided MCGB with $6.3 million to be held on behalf of the County for future County funded projects.

Charter §305 requires the Council to approve the County's operating and capital budgets on June 1 of each year for the next fiscal year. Bill 44-21 would require the Council to set aside 10% of the fuel-energy tax collected each year (estimated at $17.6 million) and appropriate it for the Green Bank. Each year the Executive sends the Council recommended operating and capital budgets after estimating total revenue from all taxes and fees and allocating it across various programs. The Council has the authority to add to, delete from, increase, or decrease any appropriation item in the budget. The Council conducts multiple public hearings to hear from residents and stakeholders and many worksessions with each department, office, and outside agency to arrive at an approved budget for the next year.

The Charter requires the Executive and the Council to do this important work each year because revenue and needs change frequently. For example, the COVID-19 global pandemic created many emergencies in FY21 and FY22 requiring additional appropriations that were unanticipated. The recession in 2009 and 2010 significantly reduced the County's estimated tax revenue and required the Council to make significant changes to the operating and capital budgets in those years.

Bill 44-21, although dedicating tax revenue for an important policy, reducing climate change through increasing energy efficiency and the use of renewable energy, runs counter to the principles embodied in Charter §305 requiring the Council to make budgetary decisions on an annual basis based on estimated revenues and current needs. Allocating $17.6 million for the Green Bank might be the best use of the money in some years and may not be the best use in other years. Bill 44-21 attempts to take that decision away from the Council each year. As the County Attorney's Office pointed out, the Council could still change the dedication to the Green Bank in the annual budget in any year, but the Bill would make it more difficult to do.

OLO, in its Racial Equity and Social Justice Impact Statement (©16) concluded that the impact on racial equity and social justice would depend upon what other County programs are reduced to pay for this automatic dedication of $17.6 million for the Green Bank. OLO also anticipated that the Bill could widen racial and social inequities because most of the benefits would accrue to White residents. However, OLO also believed that the additional funding could reduce health inequities by reducing greenhouse gas emissions. The Bill would require the Council to find equivalent cuts in other programs or raise taxes to cover the dedication. Bill 44-21, if enacted and implemented, would make this appropriation without considering what other programs could be reduced or what taxes could be raised to make up the difference.

4. Should action on Bill 44-21 be deferred until the Council enters its FY23 budget deliberations?

Bill 44-21, as introduced, would take effect at the beginning of FY23 on July 1, 2022. The Bill cannot take effect earlier because the Council has already adopted the FY22 budgets unless the Council approves a supplemental or special appropriation for FY22 to fund the Green Bank this year. Since the Bill would not take effect until July 1, 2022, the Council may want to defer action on this Bill until the FY23 budget deliberations when the competing programs that may be reduced or eliminated can be carefully analyzed. **Committee recommendation (6-0):** do not defer action until the FY23 budget deliberations begin.

5. Should the County place restrictions on the use of its funds by the Green Bank?

At Committee, Councilmember Friedson moved an amendment to require the Bank to use 20% of its County funds for projects in equity emphasis areas and 15% of the County funds for reducing the cost of energy projects undertaken by property owners. Both of these percentages would be minimum allocations of the County funds. The Committee approved the amendment 6-0.

Councilmember Riemer introduced an amendment at Committee to prevent the Bank from using County funds to install new or retrofitted mechanical energy appliances that use fossil fuels. The Committee approved this amendment 6-0, but asked Council staff to work with the Bank to agree on final language for the amendment. Council staff met with Tom Deyo of the Green Bank to discuss the language. Although Mr. Deyo agreed that the language on lines 24-28 codified the Committee's intent, he requested that this prohibition be delayed for 5 years because there are still significant projects to reduce energy consumption and greenhouse gases available to the Green Bank that would modernize mechanical energy appliances using fossil fuels.

Councilmember Riemer may introduce an amendment to delay the fossil fuel prohibition until July 1, 2023 and require DEP to submit a report estimating the cost of converting fossil fuel mechanical energy equipment to electric power. See Councilmember Riemer's memorandum explaining his amendment at ©61 and the Phase-in Amendment at ©64.

Council President Albornoz may introduce an amendment to enhance the annual report from the Green Bank already required in law to include the details about the use and balance of all funds provided by the County. See the Reporting Amendment at ©65.

Bill No. 44-21
Concerning: Montgomery County Green Bank – Funding – Fuel-energy tax revenue
Revised: 1-19-22 Draft No. 4
Introduced: November 16, 2021
Expires: May 16, 2023
Enacted: ____
Executive: ____
Effective: ____
Sunset Date: ____
Ch. ____, Laws of Mont. Co. ____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Council President Hucker and Councilmember Friedson
Co-Sponsors: Councilmembers Riemer, Navarro, and Katz, Council Vice President Albornoz, Councilmembers Rice and Jawando

AN ACT to:

(1) require the Council to annually appropriate 10% of the fuel-energy tax revenue to the County Green Bank;
(2) establish a dedicated County funding source for the Green Bank; **[[**and**]]**
(3) restrict the use of the funds by the Green Bank; and
(4) generally amend the law governing the Green Bank and the use of the fuel-energy tax revenue.

By amending
Montgomery County Code
Chapter 18A, Environmental Sustainability
Section 18A-49

Chapter 52, Taxation
Section 52-14

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Sections 18A-49 and 52-14 are amended as follows:

18A-49. Work program; staff; support from County Government.

(a) The Board of Directors must adopt a work program each year to advance the policy objectives and perform the activities listed in Section 18A-44.

(b) The Green Bank's work program may include a plan for sponsorship of private investment, marketing, and advocacy initiatives.

(c) The Board must meet with the Executive and the Council at least semi-annually.

(d) The Department of Environmental Protection may, if the Board of Directors requests, provide incidental administrative support for the Green Bank, including contracts, grants, or services in kind, subject to appropriation.

(e) Funding sources for the Green Bank may include:

(1) federal**[,]** or State**[**, or County**]** funds provided to it;

(2) County funds, including a portion of the fuel-energy tax revenue received by the County;

(3) charitable gifts, grants, or contributions and loans from individuals, corporations, university endowments, and philanthropic foundations; and

[(3)**]** (4) earnings and interest derived from financing support activities for clean energy technologies backed by the Green Bank.

The Green Bank may also raise private funds and may accept services from any source consistent with its purpose.

(f) *Restrictions on County funding.* The Green Bank must not use the annual direct appropriations from the County to fund new mechanical energy equipment that uses fossil fuels or the equipment that upgrades the efficiency of existing mechanical energy equipment that uses fossil fuels. The Green Bank must use the annual direct appropriations from the County as follows:

(1) 20% of the funds must be used to support the Bank's activities in Equity Emphasis Areas in the County as defined by the Metropolitan Washington Council of Governments; and

(2) 15% of the funds must be used to reduce the cost of energy projects undertaken by property owners by a loan subsidy, interest rate buydown, technical assistance, pre-development, blended capital, or other similar tools.

52-14. Fuel-energy tax.

(a) (1) A tax is levied and imposed on every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County.

(2) The County Council must set the rates for various forms of fuel and energy by a resolution adopted under Section 52-17(c). The Council may, from time to time, revise, amend, increase, or decrease the rates, including setting different rates for fuel or energy delivered for different categories of final consumption, such as residential or agricultural use. Each rate must be based on a weight or other unit of measure regularly used in the conduct of business. The rate for each form of fuel or energy should impose an equal or substantially equal tax on the equivalent energy content of each form of fuel or energy for a particular category of use.

(3) The tax does not apply to the transmission or distribution of electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in interstate commerce through the County if the tax would exceed

the taxing power of the County under the United States Constitution. The tax does not apply to fuel or energy converted to another form of energy that will be subject to a tax under this Section. The tax must not be imposed at more than one point in the transmission, distribution, manufacture, production, or supply system. The rates of tax apply to the quantities measured at the point of delivery for final consumption in the County. For an electric company (as defined in state law), the rates of tax apply to the net consumption that is used to calculate each consumer bill.

(4) The tax does not apply to energy that is generated from a renewable source located:

(A) in the County and either used on the site where it is generated or subject to a net energy metering agreement (as defined in state law) with a public utility; or

(B) in the same electric service territory in Maryland as the subscriber using the energy and subject to a virtual net energy metering agreement (as defined in state law) with a public utility.

Renewable source means a "Tier 1 renewable source" as defined in Section 7-701(l) of the Public Utilities Article of the Maryland Code or any successor provision.

* * *

(i) Any violation of this Section is a class A violation. Each violation is a separate offense. Any conviction does not relieve any person from paying any tax due.

<u>(j)</u> <u>The Council must appropriate 10% of the revenue received by the County from the fuel-energy tax each year to the nonprofit corporation designated as the Montgomery County Green Bank under Section 18A-46.</u>

Sec. 2. Effective date.

The amendments in Section 1 take effect on July 1, 2022.

Approved:

Gabriel Albornoz, President, County Council Date

Approved:

Marc Elrich, County Executive Date

This is a correct copy of Council action.

Selena Mendy Singleton, Esq., Clerk of the Council Date

LEGISLATIVE REQUEST REPORT

Bill 44-21
Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue

DESCRIPTION:	Bill 44-21 would mandate that the Council appropriate 10% of the fuel-energy tax revenue to the County Green Bank each year in the annual operating budget.
PROBLEM:	The County Green Bank does not have a dedicated source of revenue.
GOALS AND OBJECTIVES:	To mandate a dedicated source of revenue for the Green Bank.
COORDINATION:	Finance, DEP
FISCAL IMPACT:	Office of Management and Budget.
ECONOMIC IMPACT:	Office of Legislative Oversite
EVALUATION:	To be researched.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Robert H. Drummer, Senior Legislative Attorney (240) 777-7895
APPLICATION WITHIN MUNICIPALITIES:	Not applicable.
PENALTIES:	Not applicable.

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OFFICE OF THE COUNTY ATTORNEY

Marc Elrich
County Executive

Marc P. Hansen
County Attorney

M E M O R A N D U M

TO: Adriana Hochberg
Acting Director, Department of Environmental Protection

VIA: Edward B. Lattner, Chief
Division of Government Operations

FROM: Taggart B. Hutchinson
Associate County Attorney

DATE: December 1, 2021

RE: Bill No. 44-21, Montgomery County Green Bank – Funding – Fuel-Energy tax revenue

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<u>Summary:</u>

Council Bill 44-21 would establish a dedicated County funding source for the Montgomery County Green Bank (the "Green Bank") by requiring the Council to appropriate and dedicate 10% of the County's fuel-energy Tax to the Green Bank.

<u>Legal Implications:</u>

The bill as drafted has no legal issues. If the bill is enacted, and the Council desires to amend the Green Bank's dedicated ratio of the annual fuel-energy tax revenue at a later date, a subsequent budget resolution would prevail over Council Bill 44-21. See *Haub v. Montgomery Cnty.*, 353 Md. 448 (1999) (Montgomery County budget treated as enacted legislation).

If you have any questions concerning this memorandum, please call me.

tbh

cc: Stan Edwards, Division of Energy, Climate, and Compliance
Lindsay Shaw, Manager, Department of Environmental Protection
Mike Coveyou, Director of Finance

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Marc Hansen, County Attorney
Bob Drummer, Senior Legislative Attorney
Ken Hartman, Director of the Strategic Partnerships

Fiscal Impact Statement
Bill 44-21, Montgomery County Green Bank - Funding - Fuel Energy Tax Revenue

1. **Legislative Summary.**

   Bill 44-21 would mandate the County Council to appropriate 10 percent of the Fuel Energy Tax revenue to the Montgomery County Green Bank (MCGB) each year in the annual operating budget.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

   Bill 44-21 would not directly result in additional revenues. Funds provided to the MCGB would be used to support the development of energy efficiency, renewable energy, and other climate related projects—primarily on buildings in the County. These projects could ultimately result in increased property tax revenues due to higher valued properties, but it would be difficult to predict the timing and magnitude of this factor.

   Bill 44-21 diverts Fuel Energy Tax revenue that is currently used to support general government operations to the MCGB, creating a funding "gap" that would not exist in the absence of the Bill. According to the introductory packet for the Bill, the budgeted FY22 Fuel Energy Tax revenue was $175.6 million, meaning the estimated funding gap in the General Fund would be $17.6 million in FY23 assuming the same level of Fuel Energy Tax revenues. By diverting $17.6 million in Energy Tax revenue to the MCGB, General Fund supported budgets would need to be decreased by an equal amount (assuming no other changes to other General Fund revenues).

   As a point of reference, from FY18-FY21 the Fuel Energy tax averaged approximately $190 million annually, whereby, the 10 percent would be close to $19 million.

3. **Revenue and expenditure estimates covering at least the next 6 fiscal years.**

Fiscal Year	2023	2024	2025	2026	2027	2028	6-Year Total
Revenue	$0	$0	$0	$0	$0	$0	$0
Expenditures	$17,600,000	$17,600,000	$17,600,000	$17,600,000	$17,600,000	$17,600,000	$105,600,000

**This chart shows the MCGB additional spending due to $17.6 million tax revenue diverted from the General Fund.*

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

   This legislation does not affect retiree pensions or group insurance costs.

5. **An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

   This legislation would not result in any IT-related expenditures.

6. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

   Not applicable.

7. **An estimate of the staff time needed to implement the bill.**

   This legislation would provide funding to the Montgomery County Green Bank and would not require any Montgomery County staff time to implement.

8. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   Not applicable.

9. **An estimate of costs when an additional appropriation is needed.**

   As drafted, Bill 44-21 would require the full amount of the allocation of funding to the MCGB to occur as part of the annual operating budget approval process.

10. **A description of any variable that could affect revenue and cost estimates.**

    Revenue collected as a result of the Fuel Energy Tax, and therefore, the amount that would be appropriated to the MCGB, depends on two variables. First, the County Council sets the Fuel Energy Tax rates by fuel type and energy source, unless the rates do not change, in which case, the most recently adopted rate resolution remains in effect. Second, the tax collected is based on the amount of fuel (e.g., therms of natural gas, gallons of heating oil) or energy (kWh of electricity) consumed.

11. **Ranges of revenue or expenditures that are uncertain or difficult to project.**

    The amount of fuel or energy consumed varies from year to year, and is affected by weather, fuel prices, level of economic activity, and other factors which are difficult to predict.

12. **If a bill is likely to have no fiscal impact, why that is the case.**

    Not applicable.

13. **Other fiscal impacts or comments.**

    Not applicable.

14. **The following contributed to and concurred with this analysis:**

    Stan Edwards, Department of Environmental Protection
    Derrick Harrigan, Office of Management and Budget

Jennifer R. Bryant

12/1/21

Jennifer R. Bryant, Director
Office of Management and Budget

Date

Economic 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) anticipates that enacting Bill 44-21 would have a significant, positive impact on economic conditions in the County. This conclusion is based primarily on OLO's expectation that increasing funding for the Montgomery County Green Bank would induce substantial private sector investment in clean energy improvements for commercial and multifamily properties that otherwise would not occur in the absence of enacting the Bill.

BACKGROUND

Green Bank

In its 2017 Climate Action Resolution, the Council committed to reducing greenhouse gas emissions (GGEs) by 80% by 2027 and 100% by 2035.[1] Buildings in the County are a primary source of GGHs, with heating, cooling, and lighting buildings accounting for 41% of GGEs.[2] The County's Climate Action Plan set a target of electrifying or using carbon-free energy sources for all new and existing buildings by 2035.[3]

Consistent with this target, the Montgomery County Green Bank (hereinafter "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 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.

Bill Description

Currently, the Green Bank does not have a dedicated source of revenue, which arguably limits its ability to attract private investment in clean energy technologies for County buildings. If enacted, Bill 44-21 would provide a dedicated source of revenue by mandating the Council to appropriate 10% of the revenue from the County's fuel-energy tax[4] to the Green Bank each year in the annual operating budget.[5] Doing so would dedicate millions of dollars of public funds for the Green

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[1] Montgomery County Council, Resolution No. 18-974, Emergency Climate Mobilization, Adopted on December 5, 2017.
[2] Montgomerycountymd.gov, About Montgomery County's Green Buildings, Office of Energy and Sustainability.
[3] Montgomery County Climate Action Plan, June 2017.
[4] "The fuel-energy tax is levied and imposed on every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County." See Sec 52.14 of the Montgomery County Code.
[5] Montgomery County Council, Bill 44-21, Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue, Introduced on November 16, 2021.

Bank on an annual basis. To illustrate, the Council budgeted $175,651,251 for energy tax revenue in FY22—10% of which is $17, 565,125.

Primary Economic Stakeholders

The economic impacts of enacting Bill 44-21 would occur largely through the Green Bank's goal of leveraging additional public funds to create >$1 of private sector investment for each $1 of public funds invested. The primary economic stakeholders in the County would be:

- **commercial and residential properties** in the County that receive private sector investment as a result of the Green Bank's projects and programs;
- **banks, Community Development Financial Institutions, and other lending institutions based in the County** that provide these investments; and
- **clean energy service providers and other contractors** based in the County that perform services related to clean energy improvements in affected buildings.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

To assess whether and to what extent enacting Bill 44-21 would affect economic conditions in the County, OLO performs a qualitative assessment of the Green Bank's ability to use additional public funds to attract private capital in clean energy improvements for buildings. The qualitative assessment is based on Green Bank reports and documents as well as interviews with:

- personnel from the Green Bank and Department of Environmental Protection; and
- representatives of private organizations that have partnered with the Green Bank on projects, namely representatives from a local bank, energy efficiency contractor, and Community Development Financial Institution (CDFI).

Due to data and time limitations, OLO focuses the analysis in subsequent sections on the extent to which enacting Bill 44-21 would induce private sector investment in clean energy technology that otherwise would not occur.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 44-21 are the following:

- total annual funds allocated to the Green Bank from the fuel energy tax;
- percentage of allocated funds used to leverage private sector investment;
- average mobilization ratio;

- percentage of local lenders, energy service providers, etc. involved in these investments; and
- percentage of investments used to import clean energy technology.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Bill 44-21 would have positive impacts on private organizations in the County in terms of several of the Council's priority indicators.

OLO expects the Bill to increase private sector capital investment that otherwise would not occur in the County. To date, the Green Bank has used $12 million in capital to leverage $28 million in private investment.[6] According to sources with whom OLO consulted, the Green Bank has used its capital to have a meaningful *investment effect*—that is, inducing private investment in clean energy improvements in County buildings that otherwise would have not occurred.[7] The investment effect has involved the Green Bank:

- 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.

However, data limitations prevent OLO from estimating the extent to which the $28 million in private investment would not have occurred without Green Bank support and the percentage of investment attracted to the County versus internally re-directed.

Factors that would influence the magnitude of Bill 44-21's investment effect would include:

- total annual funding
- percentage of funds used as capital to leverage with private capital
- mobilization ratio (overall private investment/Green Bank investment)

To illustrate the potential magnitude of the investment effect, OLO uses the $17.6 million in FY22 energy tax revenue that would be allocated to the Green Bank if the Bill were enacted. According to Green Bank personnel, 70% of energy tax

[6] OLO correspondence with Green Bank leadership.
[7] As opposed to using its capital to support investments that would have occurred in the absence of Green Bank support.

revenues allocated to the Green Bank would be used as capital to leverage with private capital. For FY22, this would amount to approximately $1.2 million.

The Green Bank's overall mobilization ratio to date is $2.3 in private sector investment for each $1 of Green Bank investment. According to Green Bank leadership, its target ratio in the future is $3 to $1. As shown in **Table 1**, leveraging $1.2 million in Green Bank investment would result in approximately $2.9 million in private sector investment at the current ratio and $3.7 million at the target ratio.

Table 1. Estimated Leveraged Private Sector Investment for FY22

Green Bank Investment	Mobilization Ratio	Private Sector Investment
$1.2 million	Current: $2.3 to $1	$2.9 million
	Target: $3 to $1	$3.7 million

As previously stated, OLO limited the scope of this analysis to the likelihood and magnitude of Bill 44-21's investment effect due to data and time limitations. However, OLO notes here the potential for the Bill to affect private organizations in terms of the following priority indicators. First, County-based clean energy service providers that perform services related to clean energy improvements in affected buildings likely would experience business income gains. Second, by increasing Green Bank and private sector investment, commercial and residential property owners in the County would benefit from greater borrowing opportunities, perhaps with lower financing costs. Third, adopting clean energy technologies likely would reduce energy costs for buildings, thereby potentially reducing operating expenses. These investments also have the potential to increase the property values of affected commercial and residential values.[8] Finally, given the magnitude of the induced private sector investment, the Bill has the potential to improve the County's competitiveness in the clean energy market and have positive economic development impacts.

Residents

By increasing private sector investment in clean energy technology, Bill 44-21 has the potential to have secondary impacts on residents in terms of several of the Council's priority indicators. For instance, if greater investment in clean technology improvements affects operating expenses of residential buildings, tenants may experience lower utility costs. However, as previously stated, data and time limitations prevent OLO from investigating these and other potential impacts on residents in this analysis.

[8] See Li Zhang, Jing Wu, Hongyu Liu, "Turning green into gold: A review on the economics of green buildings," *Journal of Cleaner Production*, Vol. 172, 2018, pp. 2234-2245.

DISCUSSION ITEMS

Not applicable

WORKS CITED

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Montgomery County Code. Sec. 2-81B, Economic Impact Statements.

Montgomery County Code. Sec 52.14, Fuel-energy tax.

Montgomery County Council. Bill 44-21, Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue. Introduced on November 16, 2021.

Montgomery County Council. Resolution No. 18-974. Emergency Climate Mobilization. Adopted on December 5, 2017.

Montgomerycountymd.gov. About Montgomery County's Green Buildings. Office of Energy and Sustainability.

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.

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.

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]

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.

- **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]

- **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 Lends into Federal Nutrition Programs" by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools https://www.racialequitytools.org/glossary

[2] Ibid
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[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.
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[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
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[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.

2020 Annual Report

Montgomery County GreenBank
Your partner for clean energy TM

From the Chair—Bonnie Norman

Growing a Clean Energy Market for a Healthier Future

This has been an unprecedented year. The pandemic has brought disruptive challenges to our health, well-being, and economy. We have witnessed heartbreaking racial injustice and loss. We have felt the intensifying and inequitable effects of climate change. And we responded.

With a sharpened focus on equity and inclusion, the Montgomery County Green Bank advanced its efforts this year to make the health and savings benefits of clean energy improvements available to all County businesses, nonprofits, and residents through affordable financing offerings and technical assistance. Here are some highlights:

RESPONDING TO COVID-19: We reached out to the market to understand what was needed to support indoor air quality, health, and reopening. Just weeks following the March shutdown, we launched the Small Business Energy Savings Support program to deliver financing for small business recovery and resilience in the County through our contractor network.

LEVERAGING OUR FUNDS SEVEN TIMES: We established private capital investment agreements with partner lenders to multiply the positive impact of our limited public-purpose funds seven times. Together, we offer more affordable and accessible financing for renewable energy and energy efficiency projects that save money, improve property value, and make homes and work places healthier, more comfortable, and more sustainable.

SERVING OUR COMMUNITY BETTER: We grew our partnerships and staff, diversified our product offerings, accelerated our projects funded and pending, shared our programs for regional adoption, and contributed to the County's Climate Action Plan development—*to help all in our County thrive.*

The Green Bank ends 2020 with significant momentum in investments and impact, strong alignment on energy and equity, and a proven platform to support County leadership on climate adaptation, green job creation, economic recovery, and quality of life. We thank all who have collaborated on our progress.

MISSION STATEMENT

The Montgomery County Green Bank is a publicly-chartered nonprofit dedicated to accelerating affordable energy efficiency and clean energy investment in Montgomery County, MD. We partner with the private sector to build a more diverse, equitable, and inclusively prosperous, resilient, sustainable, and healthy community. Our work supports Montgomery County's goal to reduce its greenhouse gas emissions.

$2.5M of projects funded

7 Properties 547 Households served

638 tons of GHG emissions avoided annually

$15M in financing capacity for residential and commercial properties through long-term agreements with lending partners

7:1 leverage of funds

3 programs to help lower income families

From the CEO—Tom Deyo

Serving Our Community

Over the last year, the Green Bank met an important milestone: to have made available a broad range of financing offerings in the market so businesses and residents throughout the County can access the benefits of clean energy.

SOLUTIONS FOR ALL – The Green Bank now offers a suite of programs and products to more equitably support renewable energy and energy efficiency for homeowners, commercial businesses, renters, nonprofits, multifamily, and common ownership communities.

BOLD NEW PARTNERSHIPS – The Green Bank expanded its network of contractors, lenders, and collaborative partners in the year, supporting a diverse workforce, and leveraging local, regional, and national capital to deliver more benefits to County residents and businesses.

INNOVATIVE OFFERINGS – The Green Bank addressed COVID-19 with new solutions for small businesses and homeowners. We made solar more affordable for renters, businesses, nonprofits, and homeowners, and are creating a one-stop shop for commercial clean energy financing by stepping up to assume administration of the County's CPACE program.

GREATER IMPACT – The Green Bank supported over $2.5 million in seven clean energy projects, including delivering clean energy benefits to over 500 households in their homes and communities.

As we close the year, the Green Bank has built strong offerings to help the County rebound from the COVID-19 pandemic and implement its new Climate Action Plan.

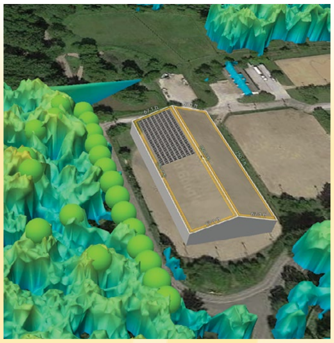
THE GREEN BANK'S ☆ TOP HIGHLIGHTS OF 2020

We are especially proud of our work this year to enhance clean energy access to low- and moderate-income households, to provide numerous offerings for renewable energy for businesses and residents, and to address resiliency and cost-saving needs of small businesses.

- **IMPACTING OVER 500 HOUSEHOLDS** across three affordably-priced residential communities with energy efficiency improvements in their homes and communities resulting in energy savings, indoor air quality benefits, and cost savings improvements.
- **TECHNICAL ASSISTANCE TO EIGHT AFFORDABLE MULTIFAMILY PROPERTIES** (rental and condominiums) to deliver energy use assessments and improvement strategies.
- **SUPPORTING SOLAR PV ACCESS FOR LOW- AND MODERATE-INCOME FAMILIES** through engagment with new community solar projects with dedicated subscriptions for these families. A 286-kW community solar project at Paddington Square with 30% LMI subscribers is scheduled for early 2021.
- **LAUNCHING A $600,000 SMALL BUSINESS ENERGY SAVINGS LOAN PROGRAM** in response to COVID-19 to support health and energy saving benefits properties that may be needed to re-open and to create operating savings.
- **BRINGING A NEW, LOW FIXED-RATE, NO FEE RESIDENTIAL SOLAR LOAN PROGRAM TO COUNTY HOMEOWNERS** and coordinating the offering of this program with the County's Solar Coop program.
- **CRAFTING A COMMERCIAL SOLAR POWER PURCHASE AGREEMENT PROGRAM** to offer nonprofits and for-profit businesses a chance for a reasonable, no out-of-pocket cost strategy for placing solar PV on their properties.
- **DELIVERING NUMEROUS WEBINARS, PRESENTATIONS, AND COMMUNICATIONS** to educate and instruct enterprises, residences and other stakeholders on how to access affordable energy efficiency and renewable energy.

Creating Clean Energy Opportunities for All of Montgomery County




CLEAN ENERGY ADVANTAGE

Renewable Energy and Energy Efficiency for Homeowners

- Loan Program offered by lender partners
- 100% financing
- Up to 12-year terms for Energy Efficiency and 20-year for Renewables
- Fixed rate loans
- No lien on property

COMMERCIAL LOAN FOR ENERGY EFFICIENCY AND RENEWABLES

Renewable Energy and Energy Efficiency for Nonprofits, Businesses, Multifamily, Condominiums and Industrial

- Loan Program offered by lender partners
- 100% financing
- Up to 12-year loans
- Fixed rate for 7 years with one-time adjustment
- No lien on property

SMALL BUSINESS ENERGY SAVINGS SUPPORT

Renewable Energy and Energy Efficiency for Small and Medium Businesses (500 or fewer employees)

- Loan Program offered by lender partner
- 100% financing
- Up to 5-year loans
- Fixed rate for term
- Flexible payment for first 3 months
- No lien on property

COMMERCIAL SOLAR PPA

Renewable Energy for Nonprofits, Businesses, Multifamily, Condominiums and Industrial

- Power Purchase Agreements (PPA) offered by financial partner
- No out-of-pocket costs for property owner
- 20- to 25-year PPA
- Lower price per kWh compared to utility rates
- Flexibile terms allowing for steady kWh rate for tenure of PPA

COMMUNITY SOLAR

Renewable Energy for Homeowners and Renters

- Affordable solar power subscriptions offered by solar developers
- Subscribers pay a price per kWh at or below the kWh price from utility
- Lower-income households offered deeper discounts on kWh price
- Project In the works: Paddington Square Community Solar — early 2021 delivery

COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY (CPACE)

Renewable Energy and Energy Efficiency for Nonprofits, Businesses, Multifamily, Condominiums and Industrial

- Loan Program offered by lender partners
- 100% financing
- Up to 20-year terms
- Fixed rate loans or solar PPAs
- Surcharge lien placed on property
- Green Bank – Program Administrator

Building for the Future

Foundation of Partnerships

FINANCIAL

- Sandy Spring Bank
- Latino Economic Development Center
- Clean Energy Federal Credit Union
- City First Enterprises
- Skyview Ventures
- The Town Creek Foundation
- The JPB Foundation

CONTRACTORS

18 commercial energy performance contractors

9 commercial and residential solar PV installers

3 geothermal installers

6 residential home performance contractors

5 residential HVAC contractors

Financial Strength

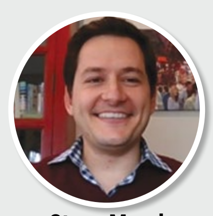
Financials (in 000s)

	FY20
Assets	**$24,422**
Liabilities	
Accounts Payable	$15
Funds Held On Behalf of County for Energy Projects	$6,285
Total Liabilities	$6,300
Net Assets	
Without Donor Restrictions	$9,995
With Donor Restrictions	$8,126
Total Net Assets	$18,121
Total Liabilities and Net Assets	$24,422

Team Work

Growing Our Organization

Tom Deyo
Chief Executive Officer



Steve Morel
Chief Investment Officer

Jean Moyer
Business Operations Manager

Cindy McCabe
Solar Program Manager

Josh Myers
Administrative Specialist

If you would like to support the Montgomery County Green Bank, please visit our website and click on the Donate button.

Montgomery County GreenBank
Your partner for clean energy ™

155 Gibbs Street, Suite 516 • Rockville, MD 20850
240-453-9000 • www.mcgreenbank.org

AMERICAN GREEN BANK CONSORTIUM
PROUD MEMBER

Montgomery County
GreenBank
Your partner for clean energy ™

- Nonprofit mission-driven organization chartered by Montgomery County
- Independent, 501(c)3 non-profit corporation governed by a Board of Directors
- 11- member Board includes Directors of Department of Finance and Environmental Protection

What is the purpose of the Green Bank?

- Historically, commercial lending institutions have not made significant investments in energy efficiency and clean energy due to perceived risk associated with such investments.
- The purpose of the Green Bank is to increase and accelerate investment in energy efficiency and renewable energy in the County by working with private capital partners to attract their capital into the market by de-risking the clean energy market.
- Outcomes include energy savings, reduced greenhouse gas emissions, clean energy jobs, improved properties.

How does this increased investment happen?

- The Green Bank is capitalized with public funds to use as a resource to mitigate risk to commercial lenders of investments in energy efficiency and clean energy projects, thus encouraging their increased commercial investment in the market.
- This risk-reduction is done through a variety of mechanisms all designed to create >$1 of private sector investment for each $1 of public money invested.
- It is this *leverage* that enables the Green Bank to promote more investment in energy efficiency and clean energy than could be achieved through direct spending by the County.

How Does the Green Bank Use Its Capital?

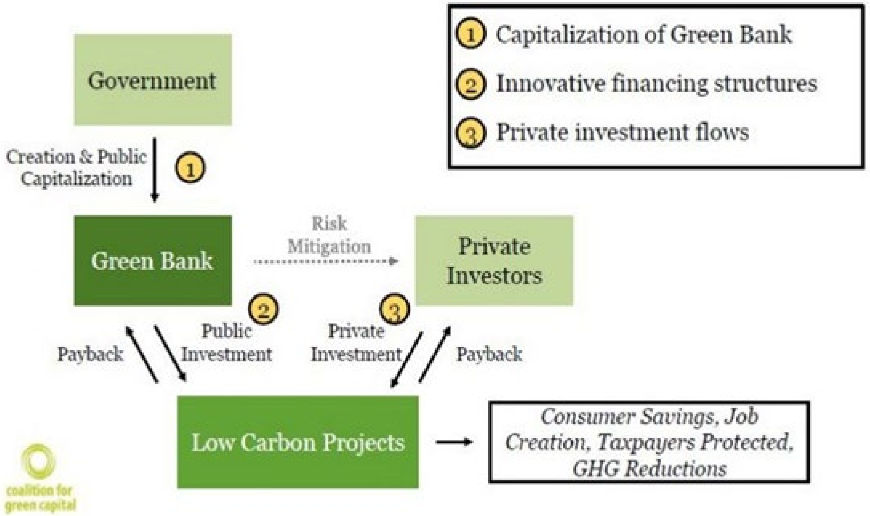
- **Establishes a Strong Balance Sheet for Financial Partner Confidence – Investments are Assets on Financial Statements**
  - ✓ Assure ability to meet agreements
  - ✓ Establishes reserves for structures
- **Used to Leverage in Private Capital by De-Risking strategies:**
  - ✓ To Create Tailored Financing Products via Agreements
  - ✓ To Offer Flexible Terms on Transactions
  - ✓ To Invest on Our Balance Sheet for Green Bank Re-Lending
- **Generate Revenues to Support Expenses**
  - ✓ Earned Income from Transactions, Products
- **Multiply Leverage by Recycling Repayments**
  - ✓ Use repayment from transactions to re-use in new transactions

How Does the Green Bank Make This Work.

- ✓ ***Equity investments create the assets on its Balance Sheet to establish confidence in the financial markets of a strong financial partner to enter agreements, transactions, and investments.***

- ✓ ***The Green Bank then finds the gaps*** in the existing market of private capital not offering clean energy financing

- ✓ ***The Green Bank Creates Partnerships with private financial capital providers*** to:
  - ✓ *LEVERAGE* Green Bank capital
  - ✓ By defining Green Bank roles in products and transactions
  - ✓ That de-risk the structure to attract this private capital into the market.
  - ❑ *Target at least 4:1 leverage as a portfolio of our capital with private market capital*



Green Bank Strategies for Project Leverage

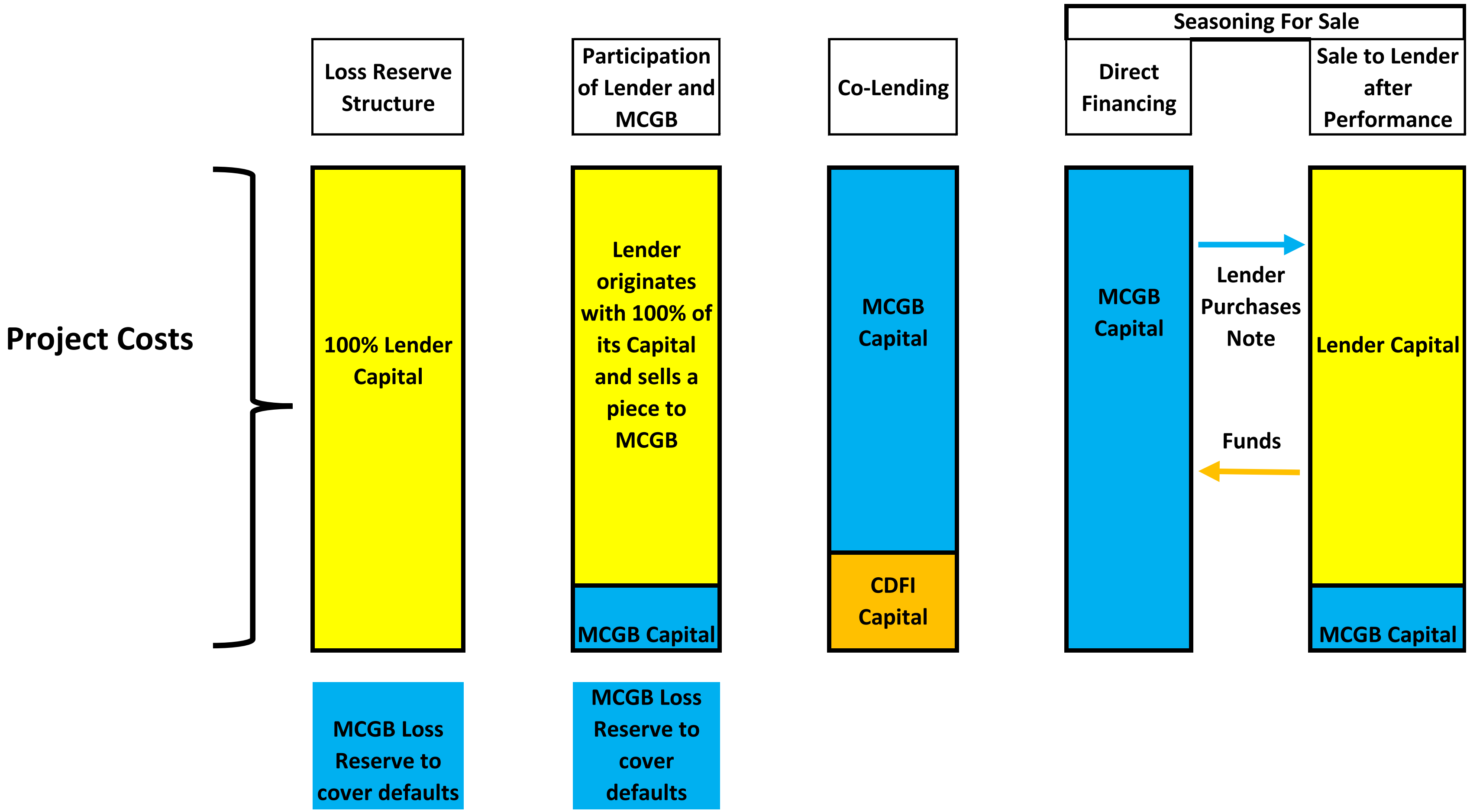
- **Loss Reserves:** Agreements with private lenders that provides "insurance" in the event that a project were to default. This approach provides the lender with more security in entering the market and offering benefits to County customers.

- **Participations:** The Green Bank provides some of its capital to purchase a portion of a loan originated by a lender to address lender concerns for assuming risk for the entire loan amount.

- **Co-Lending:** The Green Bank will be a joint lender with a financial partner and assume greater risk in the transaction to provide more flexible terms to the customer. This approach fills gaps in the lending market where the market is not efficiently serving the market.

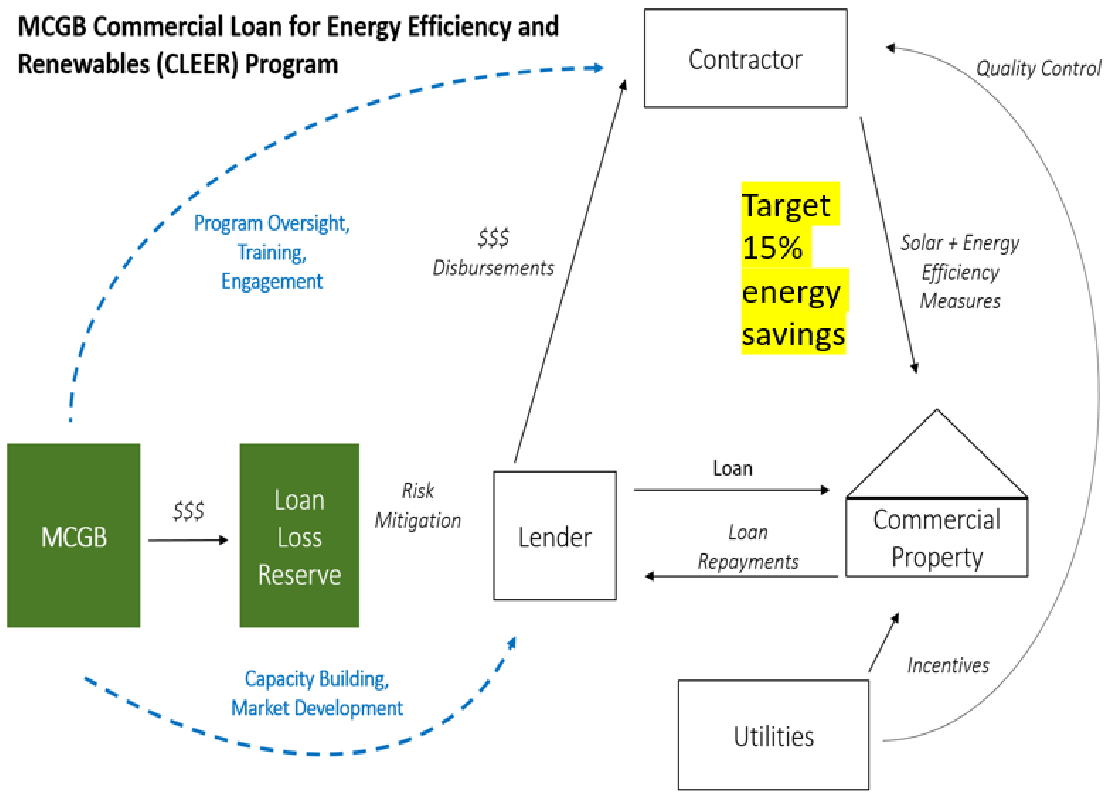
- **Direct Debt / Recycling:** The Green Bank will provide the funds for a transaction to address market reluctance and the project needs to show a level of performance to be attractive for the private market. The Green Bank undertakes the transaction and looks to sell the loan to the private capital market after the performance of the project has been demonstrated.

Green Bank Strategies for Project Leverage



Example: Green Bank Loss Reserve Structure

- MCGB stands behind lender for losses up to a limit as a percent of total originations.
- MCGB authorizes contractors for program
- Lenders make loans on specific energy efficiency and renewable scopes of work
- Lenders approve borrowers on credit; but savings support payments
- MCGB pays lender a percent of loss if loan defaults



Product Suite Created with Private Capital to Fill Gaps and De-Risk Market

Product	MCGB Financial Structure	Partners	Leverage	Gap / De-Risk
Homeowners				
Clean Energy Advantage – Energy Efficiency & Renewable	Loss Reserve	**Credit Union**	10:1	Affordable, Transparent Financing
Commercial, Nonprofit, Multifamily				
C-PACE (Program Administrator)		**Private Capital**	4:1	Long-term capital; low-cost Property Tax Surcharge
Commercial Loan for Energy Efficiency & Renewables (CLEER)	Loss Reserve / Participation Option	**Community Banks**	20:1	Not C-PACE acceptable
Small Business Energy Savings Support	Co-Lending	**CDFI**	1.2:1	Highly Flexible for re-opening needs
Commercial Solar PPA	Direct Debt in Solar PV SPE	**Private Capital**	1.4:1	Small arrays; no out-of-pocket costs; long-term steady operating costs
Tailored Structured Finance	Co-Lending / Participation / Subordination in Deals	**CDFI**	1.5:1	Bridge loans; higher risk gaps
Low-Moderate Income Owners and Renters				
Community Solar for Low- and Moderate Income	Direct Debt in Solar PV SPE	**Private Capital**	8:1	LMI subscriber risk on turnover

Green Bank Funding To Date

Private Grant funds: $1.2 million has been provided by foundations as grant funds in support of Green Bank activities.

County Funds: The County provided initial capitalization of the Green Bank between April 2017 and May 2019 through the granting of funding received by the County from two utility merger settlement funds – Pepco-Exelon and Altagas. This funding provided the Green Bank with the capital to use in its leveraged investment activities in developing products and financial structures for clean energy measures undertaken by residents and businesses in the County. A portion of the Pepco-Exelon funding was also available to support Green Bank expenses.

- $17.3 million of Pepco-Exelon Settlement Funds
  - $2.6 million (about 20% of this funding) is dedicated to efforts supporting low- and moderate-income families and multifamily housing.
  - $1.7 million dedicated to supporting only nonprofits
  - $1.5 million of Pepco-Exelon dedicated to supporting only affordable common ownership communities.
  - $2.115 million allowed for administrative expenses
- $1.5 million of Altagas Settlement Funds dedicated to supporting only affordable common ownership communities

Additional Support to Market
Green Bank Is Helping to Grow The Clean Energy Marketplace

The Green Bank focused attention on growing the marketplace for clean energy efforts through services that create market awareness and develop new market participants.

Education / Engagement – Informing on what and how to do energy effieincy and renewable energy improvements

- ✓ 58 presentations in FY21 to community groups, condos, stakeholders
- ✓ 43 already in FY22

Technical Assistance Pilot – Studies Funded to Define Need and Improvements

- ✓Condos: 7 provided reports, plans and financing options; 2 more in process
- ✓New C&I pilot: 2 commercial property audits underway
- ✓Affordable housing properties: 2 completed

Clean Energy Business Generator – Connecting Owners to Experts

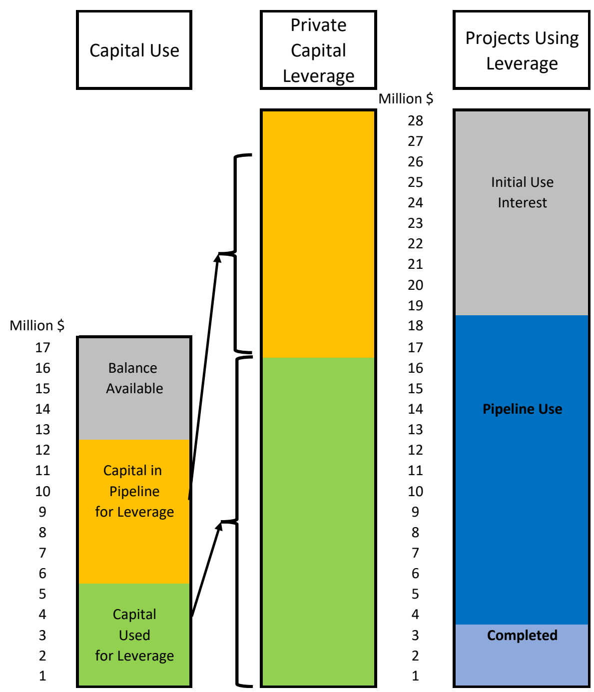
- ✓ Referring solar and C&I inquiries to contractors to build business
- ✓ Building trust and interest in market

Additional Leverage with Fuel Energy Tax Funds

- **BEPS: Address substantially increased demand to undertake clean energy improvements**
  - ✓ Several hundred property potentially needing to respond to BEPS which will require hundreds of millions of dollars in energy savings improvements
  - ✓ Funding Green Bank can:
    - Attract more private capital to enter market to meet project financing needs
    - Offer more flexible financing terms to owners in co-lending and direct loans
- **Attract other debt capital to balance sheet to blend with Green Bank funds to re-lend to the market at favorable terms**
  - **$20 Billion potential in Federal Funds Through Build Back Better**
    - ✓ Strong balance sheet attractive
    - ✓ Bring low-cost funds to County that can be re-lent and repaid to US
- **Climate Action Plan:**
  - **Support many activities in plan looking for Green Bank support**
- **Support Growing the Market Activities**
  - ✓ Educate, instruct, define approach to respond
  - ✓ Funding strategy to achieve

Funding: Under the contract between Montgomery County and the Green Bank, the Green Bank was provided one-time funding for its capital base. This funding from settlement funds from Pepco-Exelon and Altagas came over three years with the most significant amount in mid-2019. The funding provided several requirements for use. The total funding for capital provided to the Green Bank was $16.7 million with $15.2 million from the Pepco-Exelon settlement funds limited to the Pepco service territory of Montgomery County. Of the total funding, about $2.6 million is set aside for low- and moderate-income households and multifamily properties, $1.7 million for nonprofits, $3.0 million for common ownership communities, and the balance of about $9 million for general use.

Capital Use: The Green Bank is leveraging its capital to create a suite of products and transaction structures in financial agreements with partners. The presence of a strong balance sheet from the funding received provides the confidence in the Green Bank as a credible partner that can meet its obligations under such agreements. The Green Bank has committed $5.2 million of the funds in current agreements and transaction structures and has defined uses on additional agreements and transaction structures in its pipeline for another $7 million. This amount of capital is creating (or leveraging) $28 million in private capital lending and investment capacity for the Green Bank. The Green Banks has used about $3 million of this capacity, has another $15 million in demand with projects in various stages of underwriting that substantially uses this capacity, and has a deeper pipeline of project interest exceeding $20 million.



With this level of overall demand, the Green Bank will have used much of its initial capital and filled much of its leveraged capacity, in particular with respect to use of the $9 million in general use funds.

Use of Capital in Products: In creating the suite of products, the Green Bank worked with the financial and energy contractor communities to identify the funding gaps and to create the initial financial agreements to leverage this funding. Over the past three years, the Green Bank developed this suite of financing programs and products using various financial de-risking structures as loan loss reserves, participations, and co-lending for the benefit of the benefit of residents (including low/moderate income families), commercial/multifamily/ nonprofit property owners, and renewable energy developers.

Product	MCGB Financial Structure	Partners	Leverage	Gap / De-Risk
Homeowners				
Clean Energy Advantage – Energy Efficiency & Renewable	Loss Reserve	**Credit Union**	10:1	Affordable, Transparent Financing
Commercial, Nonprofit, Multifamily				
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Low-Moderate Income Owners and Renters				
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Creating the Demand / Growing the Market: The Green Bank has worked to educate County residents and businesses on its products and drive clean energy demand. In the past year, the Green Bank has held over 100 different presentations to community groups, condominium association, faith-based organizations, and other stakeholders to inform on the benefits of energy efficiency and solar PV, how to proceed with their project, and how Green Bank financing can support their needs , making these investments more accessible and affordable. The Green Bank has also hired two people dedicated to working with the residential and solar markets and the commercial market. The efforts of the Green Bank is generating increasing interest and demand for the Green Bank products.

Future Need: With projected increasing demand given rising fossil fuel prices, needs of the Climate Action Plan, and anticipated enhancements that could come with any approved building energy standards, the Green Bank will regularly need more capital to continue to make the health, savings, jobs creation, property value, and climate benefits that clean energy and energy efficiency improvement investments convey, available to all County businesses and residents.

Leverage (making limited public money go further with private capital investment) relies on a strong and dependable Green Bank balance sheet, achieved through a reliable annual funding mechanism, as successfully demonstrated for more than a decade by the Connecticut Green Bank. Such leverage from a strong balance sheet can include accessing low-cost funds lent to the Green Bank from sources such as the proposed National Climate Bank at the national level, or other private sources. [1]

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[1] Under the contract Montgomery County established with the Green Bank a "Public Building Green Performance Revolving Fund" in the amount of $6,285,374. These funds are held by Green Bank (and recorded on its balance sheet) for the purpose of implementing clean energy and energy efficiency improvements in Montgomery County Government public facilities or infrastructure in Pepco's service territory. Green Bank is not responsible for when this revolving fund is used or for identifying projects to which the revolving funds are applied.

Testimony on Behalf of County Executive Marc Elrich
Bill 44-21, Montgomery County Green Bank - Funding - Fuel - Energy Tax Revenue

Adriana Hochberg, Acting Director
Department of Environmental Protection

December 7, 2021

Good afternoon. My name is Adriana Hochberg. I am the Acting Director of the Department of Environmental Protection (DEP) and the County's Climate Change Officer. Thank you for the opportunity to testify on behalf of the County Executive on Bill 44-21, which would mandate that the County Council appropriate 10% of Fuel Energy Tax revenue to the Montgomery County Green Bank (MCGB) each year in the annual operating budget.

The Elrich Administration has been hard at work to address climate change in order to meet the County's goals of eliminating greenhouse gas emissions by 2035 and achieving 80% reductions by 2027. The Climate Action Plan was released in June and it provides a roadmap of actions to reduce greenhouse gas emissions and adapt to a changing climate. Implementation of the Climate Action Plan is underway, with 75 out of 86 Plan actions being actively worked on in Fiscal Year 2022. The annual climate work plan and quarterly work plan progress report provide members of the community with a view into the County's multi-faceted climate efforts. In addition to developing and implementing climate programs and projects, there are a number of climate legislative and regulatory policies that the Executive has already transmitted to Council. These include the International Green Construction Code recently passed by Council, the Building Energy Performance Standards, and expansion of the Commercial Property Assessed Clean Energy (C-PACE) program, which is administered by the Green Bank.

The County Executive is a strong supporter of the Green Bank and recognizes the important role it will play in helping the County meet our aggressive climate goals. Implementing climate action at the scale that is necessary to make a meaningful dent on greenhouse emissions will require substantial financial resources from both the public and private sectors. The ability of the Green Bank to leverage public funds by attracting capital from commercial lenders for energy efficiency and renewable energy projects makes supporting the Green Bank a wise investment. Such support will be particularly important as policies such as Building Energy Performance Standards are implemented, particularly given the role the Green Bank can play in helping building owners understand their options for improving the energy performance of their buildings and determining the most advantageous way to achieve this, both technically and financially.

The County Executive would like to raise several important issues regarding Bill 44-21. The Executive believes that there are some aspects of the bill that need to be amended:

- As the Council is aware, Energy Tax revenue supports general government operations. Mandating that a certain percentage of Energy Tax revenue go to the Green Bank (or for any other specific use) will create a funding "gap" that would not occur in the absence of the bill. The bill as currently written does not identify how this funding gap would be replaced. This gap will have to be addressed by cuts in other government programs and services, or by an increase in revenues.

Given the continued need to address issues created by the pandemic, such as maintaining free Ride-On services and delivering human services programs that have provided vital aid to our most vulnerable neighbors, the County Executive feels it is not prudent to mandate that a certain percentage of Energy Tax revenues be dedicated to a particular use at this time. At a minimum, it would make sense to wait until the revenue picture becomes clearer, which will occur before finalization of the FY23 budget as the State updates income tax and other revenue figures.

- Should the Council decide that dedicating Energy Tax funds to climate related activity is appropriate at this time, the County Executive would suggest that not all funding be allocated to the Green Bank, as the County has many climate related activities that could use funding support. The funds could be split between the Green Bank and the Climate Change Non-Departmental Account to be used to implement actions articulated in the Climate Action Plan. These include work related to both greenhouse gas emissions reductions as well as adaptation issues, such as flooding and urban forestry, and developing deeper engagement with frontline communities that will feel the impacts of climate change most acutely.

- The County Executive recommends that the Green Bank funding be subject to performance metrics and upfront written expectations about how the Green Bank intends to use the funds. As such the County Executive would suggest that the Green Bank funding allocation be set-aside in a County department such as DEP or the Department of General Services, and then be allocated to the Green Bank through a contractual agreement or memorandum of understanding that lays out the planned use of funds along with policies and procedures to ensure that the plan is carried out as expected.

I would be happy to address any questions the Council may have.

TAKOMA PARK MOBILIZATION

Environment Committee

To: **Montgomery County Council**
Testimony on: **Green Bank-Funding-Fuel Energy Tax Revenue (Green Buildings Now Act) Bill No. 44-21**
Organization: **Takoma Park Mobilization Environment Committee**
Person Submitting: **Diana Younts, co-facilitator**
Position: **Favorable With Amendments**
Hearing Date: **December 7, 2021**

Dear Council President Hucker and Council Members:

Thank you for allowing our testimony today in support (with amendments) of bill 44-21, the Green Buildings Now Act. The Takoma Park Mobilization Environment Committee and the undersigned organizations and individuals are supporters of and advocates for the County's ambitious greenhouse gas reduction goals. Many of our members took part in the climate change technical workgroups convened by County Executive Elrich; hosted the 2019 Climate Emergency Townhall; and at the state level, we have fought for passage of Community Choice Energy, Organics Recycling, Climate Solutions Now, and other legislation that furthers the goals of Montgomery County's Climate Action Plan. We support the proposed legislation to provide a funding stream to the Green Bank by annually dedicating 10 percent of the fuel energy tax revenue to the Green Bank.

The Green Bank, which is currently undercapitalized, is critical to the success of Montgomery County's Climate Action Plan and for the success of the County's proposed Building Energy Performance Standards Legislation because it will leverage and attract private investment in meeting the County's goals as well as position the County to receive funds through the Clean Energy and Sustainability Accelerator Program that is part of the federal Build Back Better Act. It would also allow the Green Bank to expand programs, such as the technical assistance programs to building owners that are important for teaching building owners how to decarbonize their buildings. Finally, it will help all of the County, not just those portions in the Pepco service area, to reduce greenhouse gas emissions.

Recommended Updates to the Green Bank Charter:

However, there are critical amendments needed for the Green Bank bill for it to fully help the county to equitably meet its goal of reducing its greenhouse gas emissions 80% by 2027 and 100% by 2035. We therefore suggest the following updates to the Green Bank's charter:

1) **No funding for fossil fuels**. If Montgomery County is to reach its greenhouse gas reduction goals, it is critical that funding does not go towards any fossil fuel based energy systems. The Charter of the Green Bank must be amended to explicitly exclude funding for any fossil fuel based projects.
2) **Prioritize low income households and communities**. A specified percentage of the funds should be dedicated to low income households and communities. In order to have a just transition to clean energy, it is critical that low income households and communities be prioritized in the transition so that they do not carry the financial burden of supporting the gas infrastructure as those assets are abandoned in the transition to renewable energy.
3) **Contract Preferences and Prevailing Wages**. Include Provisions that incentivize private entities to give contract preferences to women and minority-owned businesses and to pay prevailing wages.

A useful model to follow in adopting amendments one and two is the energy efficiency grant program that the City of Takoma Park has instituted. In that grant program, no grant money can be used for fossil fuel sources of energy; all residents of Takoma Park can take advantage of the grants, but the amount and percentage of the project costs is tiered by household income; and for electricity, the homeowners must commit to purchase 100% green energy for 24 months. We note also that the DCSEU (The D.C. Green Bank) also provides no funding for market rate gas fired equipment.

For these reasons we urge you to enact bill 44-21 with the proposed strengthening amendments.

Sincerely,

The Undersigned Organizations and Individuals:

Takoma Park Mobilization Environment Committee
Chesapeake Climate Action Network
Cedar Lane Environmental Justice Ministry
Sugarloaf Citizens Association
Karen Metchis
Dorcas Robinson
Kathryn Gargurevich

Bill Number 44-21
Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue

Submitted Remarks By Montgomery County Green Bank

The Montgomery County Green Bank is honored to be able to serve the County and to aid it in achieving the substantial goals it has set out for greenhouse gas reductions.

The County demonstrated national leadership in establishing a green bank that leverages limited public funds to unlock a much larger pool of private capital for financial products and services that residents and businesses can more affordably and equitably access for clean energy improvements.

This Bill 44-21 compliments several actions that the County has taken and is considering, such as the Climate Action Plan and Building Energy Performance Standards, which establish strategies for addressing climate mitigating activities to help the County achieve the 0% greenhouse gas emissions by 2035.

These strategies, which define more specific actions to support energy savings and deliver environmental, economic, and health benefits, will require resources to fulfill and the Green Bank can be a substantial tool in helping meet that resource need, making limited County dollars go further.

Just in the building sector, the County benchmarking data suggests that several hundred commercial properties may need to undertake energy savings improvements to achieve the beneficial targeted outcomes, including those that may come from any adopted Building Energy Performance Standards.

And, there are hundreds of faith-based properties, hundreds of condominiums, over a hundred affordable multifamily properties, and thousands of single-family homes that could need support to undertake energy efficiency and renewable energy improvements.

This could escalate even more with rising energy prices that can create a more urgent need for energy savings improvements. Such an occurrence can be even more impactful among the economically vulnerable and energy-burdened households. This occurrence can necessitate making resources available to help County businesses and residents. The cheapest kWh is the one you don't pay for, and the cleanest kWh is the one you don't use.

The power of this proposed new investment of public funds in Bill Number 44-21 is that it will substantially increase the amount of private capital available to support the clean energy activities needed to meet the county goals as the Green Bank turns the public investment of Bill 44-21 into many times its value. Through leverage, we take one level of investment and make a larger one for clean energy improvements. This is achieved by using the public investment to create confidence in the Green Bank as a sound financial intermediary that can assume risk in financing and thus attract private capital partners. Private capital that might otherwise be on the sidelines without the Green Bank taking some of the risk in the clean energy financing.

The Green Bank can serve the funding needs of this marketplace where $18 million annually in funding can create $60 to $90 million of private financing to support the demand from these property owners.

The market will need affordable, flexible resources to help meet the funding needs of the improvements that provide energy savings over time.

To date, the Green Bank has leveraged its capital using guarantees, credit enhancements, and investments in several partnerships with financial institutions operating in the County. These partnerships have created a suite of special loans with tailored underwriting terms and interest rates for commercial, residential, multifamily, and nonprofit property owners to use to undertake energy saving building improvements.

The Green Bank has also intentionally focused on equitable access to the clean energy marketplace. We have supported technical assistance to eight affordable rental and condominium properties, invested in the first community solar in the County with 30% of its subscriptions dedicated to LMI households, financed three projects supporting condominium communities of homes affordable to LMI households, and are designing a rooftop solar program directed at LMI households to roll out this spring. We have recently hired a communications and community engagement manager to help us more directly connect to the LMI and BIPOC communities. We see this equity and inclusion work as an important part of our mission now and going forward.

Our current work achieves an overall leverage of about 3:1, with varying leverage among products, meaning we turn $1 of public funds into $3 of private capital capacity for the County marketplace. To meet the Green Bank's initial project needs and to support the pipeline projects we are working, the Green Bank sees using $12 million of our current $16.7 million of capital to create nearly $30 million in financing capacity to meet this demand.

Accelerating progress on meeting the County's climate goals and addressing the demand generated from the market drivers will exhaust the capital we have and far outstrip our resources. The funds from Bill 44-21 will provide the depth of resources to help meet the market demand.

With additional funding provided by the Fuel Energy Tax, the Green Bank will have the ability to leverage it into a vast new set of financial benefits. These can include more private capital in project financing as well as attracting substantially more private, state, and federal sources, like the proposed National Climate Bank of the Build Back Better plan, to be on the Green Bank's balance sheet for re-lending for the benefit of County residents and businesses.

This additional resource from Bill 44-21 will allow the Green Bank to greatly extend its current offerings with more partnerships, and more availability of loans. And it will allow the Green Bank to establish an even broader array of flexible financing to meet property owners' and clean energy market players varying needs. The actions are necessary to meet the expected demand from the market drivers.

Beyond the financing activities, the Green Bank has focused attention on growing the marketplace for clean energy efforts through services that create market awareness and develop new market participants. These activities were pursued by the Green Bank as a need was identified to educate various constituencies on the effort and benefits of energy efficiency and renewable energy and to assist certain market players with developing a roadmap for undertaking the work.

These Green Bank efforts grow the interest of residents and businesses to undertake this clean energy work, supports the clean energy service sector as the work of the Green Bank creates new demand for energy performance contracting services, and in the end delivers more energy saving benefits for

County constituents and adds to the reduction in greenhouse gas emissions. Resources from Bill 44-21 can support this activity of the Green Bank to grow the market for clean energy.

In summary, the influx of resources from the Fuel Energy Tax will create the capacity for the Green Bank to meet any needs of those seeking to undertake energy savings improvements, including those associated with the Climate Action Plan.   We welcome the opportunity to use these funds in flexible ways to meet clean energy financing needs, to achieve energy savings goals, and to serve in a manner that will deliver equitable outcomes across the County.

To add depth to our remarks, The Green Bank offers more explanation of the Green Bank, our work, our products, and the opportunity provided by the availability of additional resources.

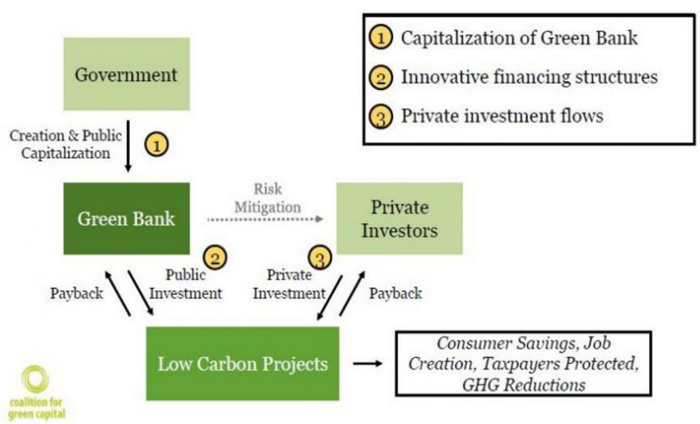
- **What is the Green Bank?**
- **What is the purpose of the Green Bank?**
- **How does the Green Bank help the County?**
- **How does the Green Bank do its work?**
- **How does the Green Bank help grow the clean energy marketplace?**
- **How has the Green Bank supported equitable access?**
- **What have been the funding sources for the Green Bank?**
- **What are the Green Bank offerings to support the Clean Energy Marketplace?**
- **Can the Green Bank offer other flexibilities to its products?**
- **What are some key Green Bank impacts and accomplishments?**
- **How has the Green Bank leveraged the funding to date?**
- **What are the market drivers that present future need for Green Bank funding?**
- **What can the Green Bank do with additional funding provided under Bill 44-21?**

What is the Green Bank?
The Montgomery County Green Bank was designated as the County's green bank in 2016 per County bill 18-15 establishing a County-level green bank. The Montgomery County Green Bank ("Green Bank") is an independent 501(c)3 nonprofit dedicated to accelerating clean energy financing options for residents and businesses in Montgomery County, Maryland, including those for energy efficiency and renewable energy upgrades. The Green Bank's work supports the County to achieve its goal to reduce its greenhouse gas emissions to zero by 2035. The Green Bank has an 11-member, non-paid Board of Directors that includes the Director of Finance and the Director of Environmental Protection as designated members from the County.

The Board and other elements provide the governance to assure the Green Bank operates in a sound manner and achieves its charter requirements and mission goals. These governance elements include:

- ✓ Oversight by regular Board-level committee meetings of Governance, Finance and Operations, Investment, Product Development, and Partnerships.
- ✓ Annual Workplan to deliver on mission and goals approved by Board per charter.
- ✓ Annual budgets approved by Board.
- ✓ Annual reporting to County for contract and for activity.
- ✓ Financial audits completed each year and approved by Board.

What is the purpose of the Green Bank?
The Green Bank's job is to attract more private capital into the clean energy financing in Montgomery County. Capital that may find the risk of clean energy financing a concern for offering affordable and flexible capital. So, the Green Bank uses its limited public funds to de-risk the market for private capital and create a multiple of the amount of the limited public funds in private market financing for clean energy investments that are available to residents and businesses in the County. The Green Bank does so by identifying the market inefficiencies and investment reluctance in clean energy technologies and improvements and using various investment structures to de-risk these investments for the private capital to more efficiently and affordably enter the market. The Green Bank targets from $3 to $5 of private funds for every $1 leverage of its funding. And, over time to build market acceptance for private capital in the clean energy sector when the private capital will operate freely in this market and not require additional Green Bank support. When this market acceptance occurs, the Green Bank then moves onto areas where the clean energy market has not been efficient and affordable and develops new structures to bring that private capital into the market in these new areas.

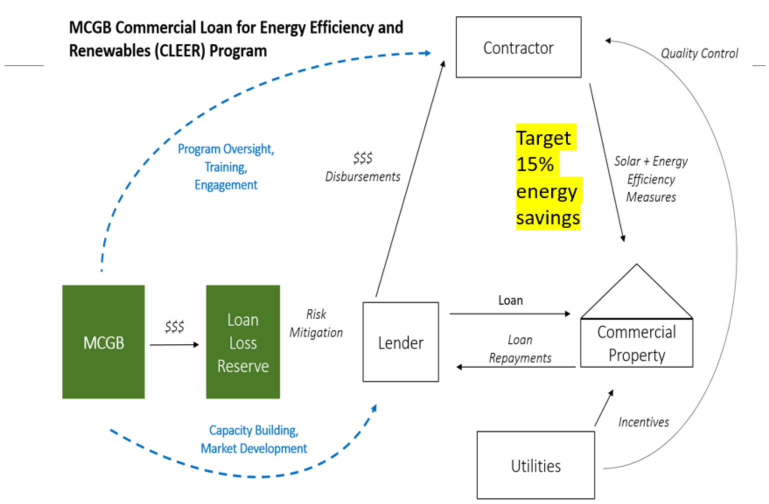


How does the Green Bank help the County?
The Green Bank offers affordable and flexible financing to support the funding needs of homeowners, commercial and residential property owners, and clean energy participants in the County to undertake energy savings measures and activities that reduce energy consumption. We work with banks and other private market capital providers to provide affordable financing options so that homeowners, property owners and business owners can install energy efficiency and renewable energy technologies and achieve the energy-cost savings of the improvements. In short, we make saving energy and saving money more accessible through our resources, tools, and connections.

How does the Green Bank do its work?
The Green Bank operates in the financial marketplace and with other financial partners and enters into agreements that can span 10 or more years. The Green Bank uses the public funds provided to it to demonstrate to the financial market that it is a sound financial partner that can meet the long-term obligations in its agreements or transactions with its financial partners. The Green Bank needs to present this strength in order to build the confidence of the private financial marketplace to enter into these long-term commitments with the Green Bank.

Using the public investment and confidence with the financial marketplace, the Green Bank looks to "leverage" its funds and create a greater availability of funds in the market than the Green Bank funding alone could provide. The Green Bank's leverage strategies are completed in several ways.

- Product leverage: This is the Green Bank's principal approach. The Green Bank uses its capital in guarantees, co-investing, bridge funding, and other financial structures with banks, private capital partners, and investors to create affordable, accessible and flexible financing products for clean energy that are presently not available in the marketplace. Our participation with financial partners provides "insurance" that enables them to offer new financial products and expand into new markets that residents and businesses can use to complete projects that lower their energy costs and deliver greenhouse gas reductions. One such example is a loan loss reserve where the Green Bank provides a backstop to banks offering loans.



- Recycling Funds: A second form of leverage is recycling the funds provided to the Green Bank. Unlike grants, the Green Bank funds are part of financing structures that a designed to return the investment to the Green Bank. As the Green Bank's investment is returned, then the Green Bank re-uses that funding into new structures. Thus, the initial Green Bank investment multiplies over time as it is used repeatedly to again leverage private capital funds. The Green Bank has executed on such investments and is recycling the repaid funds into new investments.

- Balance Sheet: A third form of leverage is attracting other capital onto the Green Bank's balance sheet which the Green Bank can then re-lend this private capital into the market. This attraction is made possible by the depth of the Green Bank balance sheet and the experience of the Green Bank in investing. The Green Bank reserves a portion of its capital to support this on-balance sheet lending and uses "other companies' capital" as the funding in the market. An example of such on-balance sheet investing would be funds from a National Climate Bank as contemplated In the Build Back Better legislation being considered by Congress.

How does the Green Bank help grow the clean energy marketplace?
Beyond offering financial products, the Green Bank has focused attention on growing the marketplace for clean energy efforts through services that create market awareness and develop new market participants. These activities were pursued by the Green Bank as a need was identified to educate various constituencies on the effort and benefits of energy efficiency and renewable energy and to assist certain market players with developing a roadmap for undertaking the work. These Green Bank efforts grow the interest of residents and businesses to undertake this clean energy work, supports the clean energy service sector as the work of the Green Bank creates new demand for energy performance contracting services, and in the end delivers more energy saving benefits for County constituents and adds to the reduction in greenhouse gas emissions.

The Green Bank has completed several pilot actions to grow this clean energy marketplace. These include:

- Education and outreach: The Green Bank has conducted over 100 hundred presentations in the last year to various groups to inform on clean energy activities and the Green Bank's offerings to support them. The Green Bank has found that the market (residents, organizations, property owners) desires instruction and information to understand the technology, measures, and benefits of energy saving improvements and then how to go about undertaking them. These education and outreach efforts develop the market and create new interested parties – as well as opportunities for the clean energy sector to serve these new interests. The clean energy sector dedicates significant costs to develop the customer marketplace and identify customers. The Green Bank sees its ability to develop this marketplace as a way to reduce this contractor cost and help hold down the cost of the improvements.

- Technical assistance on energy strategies for property owners: The Green Bank has supported over 10 assignments as a pilot effort to test out the value of energy performance assessments for affordable housing, common ownership communities, and commercial property owners. The assessments considered current conditions and developed plans for improvements and financial support for the improvements. The efforts provided many properties with roadmaps for improvements, and a couple are taking initial steps to undertake improvements. This pilot effort demonstrated that some owners would benefit from having roadmaps developed, particularly those with more complicated decision-making processes.

How has the Green Bank supported equitable access?
The Green Bank has been intentional in its efforts to support equitable access to clean energy financing and products. The Green Bank has worked to deliver opportunities for LMI households, and to focus on increasing the access to these communities. Several efforts undertake or under way include:

- ✓ Technical Assistance Pilot: The Green Bank supported affordable condominium and affordable rental properties in a pilot to provide insights into the current energy environment of the properties, the scope of work to improve the environment, and the approach to executing on this, including with the use of Green Bank financing. These have laid the plans for how to move forward, and some are taking initial steps to address

- ✓ Community Solar: The Green Bank has focused on community solar projects which provide a minimum of 30% of the subscriptions to LMI renters and owners. The Green Bank is part of the first community solar project in the County and the first to offer at least 30% of the subscriptions to LMI households. The Green Bank is looking at more community solar projects offering similar benefits.

- ✓ Faith-based communities: The Green Bank has focused on outreach and engagement with faith-based communities across the County on undertaking solar PV installations. The Green Bank has reached out to many faiths and across the racial and economic spectrum on congregants. At this time, the Green Bank has over 25 faith-based communities exploring solar options for their properties.

- ✓ LMI Rooftop Solar Pilot: The Green Bank has worked with stakeholders in the County to design a specific rooftop solar program for LMI households. The Green Bank looks to launch this program in spring 2022 with financing that responds to LMI constraints. The pilot seeks to support 100 households through this program.

- ✓ Affordable Housing Solar: The Green Bank has worked with 10 affordable condominiums and two affordable housing owners to evaluate solar on their properties. The Green Bank is working with stakeholders to find an approach that can deliver this solar to these properties.

What have been the funding sources for the Green Bank?
The Green Bank has received funding from a variety of sources to support its specific purposes. The Green Bank has used this funding to support product agreements, investing, and expenses.

Grant funds: $1.2 million has been provided by foundations in support of Green Bank activities.

County Funds: Under the contract between Montgomery County and the Green Bank, the Green Bank was provided one-time funding for its capital base and some administrative support. This funding from settlement funds from Pepco-Exelon and Altagas came over three years with the most significant amount in mid-2019. The funding established several requirements for use. The total funding for capital provided to the Green Bank was $16.7 million with $15.2 million from the Pepco-Exelon settlement funds limited to the Pepco service territory of Montgomery County and $1.5 million from the Altagas settlement. Of the total funding, about $2.6 million is set aside for low- and moderate-income households and multifamily properties, $1.7 million for nonprofits, $3.0 million for common ownership communities, and the balance of about $9 million for general use.

What are the Green Bank offerings to support the Clean Energy Marketplace?

The Green Bank has created an initial suite of products to respond to the gaps and meet market needs. These products were constructed with a variety of financial partners – banks, credit unions, community development financial institutions, and private capital – to deliver transparent, affordable, and flexible financing. Each structure provides a different leverage. The Green Bank used its capital in various structures with the financial partners to achieve the desired product for the market and leverage green bank funds in the products. While each product resulted in a different leverage use, the overall target of leverage across this initial Green Bank portfolio is at about 3:1.

Product	Financial Structure	Partners	Leverage	Gap / De-Risk
Homeowners				
Clean Energy Advantage – Energy Efficiency & Renewable	Loss Reserve	**Credit Union**	10:1	Affordable, Transparent Financing
Commercial and Industrial				
C-PACE (Program Administrator)	Property Tax Surcharge	**Private Capital**	4:1	Long-term capital; low-cost
Commercial Loan for Energy Efficiency & Renewables (CLEER)	Loss Reserve	**Community Banks**	20:1	Not C-PACE acceptable
Small Business Energy Savings Support	Shared Debt in Project Loans	**CDFI**	1.2:1	Highly Flexible for re-opening needs
Commercial Solar PPA	Debt in Solar PV SPE	**Private Capital**	1.4:1	Small arrays; no out-of-pocket costs; long-term steady operating costs
Tailored Structured Finance	Shared Capital in Bespoke Deals	**CDFI**	1.5:1	Bridge loans; higher risk gaps
Low-Moderate Income Owners and Renters				
Community Solar for Low- and Moderate Income	Subordinate Debt in Solar PV SPE	**Private Capital**	8:1	LMI subscriber risk on turnover

Can the Green Bank offer other flexibilities to its products?

While these are the Green Bank's established initial products, the Green Bank also works to tailor its products and use its resources to meet specific needs of the property owners. The Green Bank has already structured responses to owner needs that refine terms to meet energy savings, to provide co-investing on a product to mitigate private capital lender constraints, to offer direct support where the private capital market could not meet the needs. The Green Bank approaches each project individually with the customer and energy performance / solar contractor to understand the needs and how the products or flexibilities can be offered to meet the needs.

What are the market drivers that present future need for Green Bank funding?
The County has introduced, or is deliberating on several actions that will create a more demanding market for clean energy financing. To date, the efforts of property owners were driven by voluntary actions to support energy savings and deliver environmental benefits. The Green Bank has serviced this market with its products to stimulate the market to undertake measures.

The Climate Action Plan and the potential Building Energy Performance Standards will create more motivation for property owners to undertake energy savings measures. This County direction will require more financial investment to achieve. Financial investments that provide energy savings over time and which the market will need affordable, flexible resources to help meet the funding needs of the improvements.

Another driver is increasing energy pricing. This will will create more focus on energy efficiency to save on operating costs and also provide a stronger relationship of energy savings to investment. And, this issue is particularly impactful to the economically vulnerable and energy-burdened households.

The current County benchmarking provides insight into the potential need. It is possible that several hundred properties will need to undertake energy savings improvements to achieve Building Energy Performance Standards, and such improvement will require millions of dollars in funding.

And, there are hundreds of faith-based properties, hundreds of condominiums, over a hundred affordable multifamily properties, and thousands of single-family homes that could need support to undertake energy efficiency and renewable energy improvements.

What are some key Green Bank impacts and accomplishments?

The Green Bank has seen use of all of its products by the marketplace and is gaining greater demand from market participants from increased outreach conducted in 2020 and 2021 by the Green Bank as the product suite was fully developed.

Initially, the Green Bank has supported $3 million in 20 projects, supporting properties that have 558 households (over 500 of which live in affordably-priced properties) that collectively are saving 778 tons of GHG annually.

The efforts of the Green Bank to grow the market and engage with contractors, end users, and community groups has developed an active pipeline that the Green Bank is working to support these projects. Presently the Green Bank is working with residential, commercial, multifamily, and institutional property owners on $15 million in 28 additional projects that use the Green Bank's sole product offerings plus several million in C-PACE projects that the Green Bank administers and promotes as a county solution. The Green Bank has an even deeper pipeline of over another $20 million in project financing in need of products using its capital.

<u>Homeowners</u>: The Green Bank partnered with a credit union to deliver a loan program that offered transparent financing with lower interest rates for energy efficiency and renewable energy projects. To date, nearly 20 homeowners have been supported by the homeowner program. The Green Bank then collaborated with the Maryland Clean Energy Center to make the energy efficiency program a statewide offering that brings greater benefits to the County and this will be rolled out in early 2022.

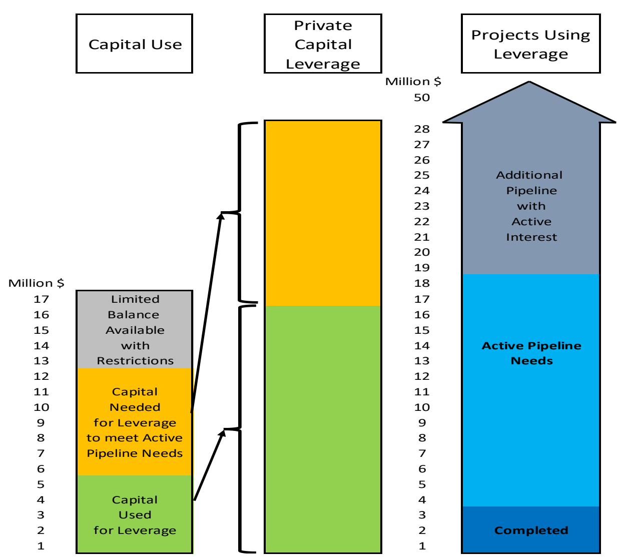
<u>Commercial Solar</u>: The Green Bank used its funding to create a novel solar financing product that provides no out-of-pocket costs to owners and delivers lower pricing per kWh than the owner would pay directly to the utility. The program has particularly strong benefits to nonprofits. Since its launch in June 2021, over 25 faith-based organizations and 10 common ownership communities have engaged with the Green Bank to assess their properties for solar and how the program can provide benefits to them.

<u>Community Solar</u>: The Green Bank supported the first community solar project in the County and the first to set aside 30% of its subscriptions to low- and moderate-income households. The project, called Community Solar at Paddington Square, was built on the Housing Opportunities Commission property and is a 273-kW solar array that will offer 91 subscriptions, 28 of which will be for LMI households. The Green Bank is working on more community solar projects that will similarly offer set aside for LMI households.

Commercial: The Green Bank has supported various commercial properties to undertake energy savings improvements in partnership with its community bank partner. These projects include an office building, a restaurant, and condominium properties. The Green Bank is working with several more property owners and because of the capital flexibilities offered by its resources, the Green Banks is able to offer a variety of options for the property owners to finance the improvements.

EV Infrastructure: The Green Bank recognizes that the advancement of EVs requires supporting an infrastructure to meet the charging needs of the vehicles. The Green Bank funded a pilot for this at a condominium that can be a model for other such investments.

How has the Green Bank leveraged the funding to date?
The Green Bank is leveraging its capital to create the suite of products and transaction structures in financial agreements with partners. The presence of a strong balance sheet from the funding received provides the confidence in the Green Bank as a credible partner that can meet its obligations under such agreements. The Green Bank has committed over $5 million of the funds in current agreements and transaction structures and has defined uses on additional agreements and transaction structures in its pipeline for use of another $7 million in capital. This total amount of capital is creating (or leveraging) $28 million in private capital lending and investment capacity for the Green Bank. The Green Banks has used about $3 million of this capacity, has another $15 million in demand with projects in various stages of underwriting that substantially uses this capacity, and has a deeper pipeline of project interest exceeding $20 million.



What can the Green Bank do with the additional funding provided under Bill 44-21?

1. Capital in support of property improvements.

Providing the resources to meet the demand. Accelerating progress on meeting the County's climate goals will require extensive resources to meet. The Green Bank has seen increasing demand for its products and capital, and at the current demand level will soon exhaust the capital we have and far outstrip our resources. The funds from Bill 44-21 will provide the depth of resources to help meet the market demand.

The Green Bank can serve the funding needs of this marketplace where $18 million annually could create $60 to $90 million of private financing to help residents and businesses undertake the needed improvements to reach the zero emissions goal.

The following are ways that the Green Bank would use funding to support local businesses, apartment complexes, co-ops and condominiums, nonprofits and faith-based organizations owners to invest and improve their properties.

a. *Increasing current products and more options for investing.*
The Green Bank has several products and strategies to pair its capital with financial partners (e.g., banks) to attract at least 3:1 in private capital for energy efficiency and renewable energy improvement projects in the County. The Green Bank funding would support increased partnerships.

The most flexible of these Green Bank products and strategies use Green Bank capital alongside the private capital to assume risk and to lower end user costs. The Green Bank is presently doing this with its Small Business Energy Savings Program, direct debt, and commercial solar power purchase agreement programs. This new funding would provide for greater flexibility in terms offered on these financing offerings.

b. Offer ability to create additional flexible financing for deeper energy savings improvements and meet needs of BEPS
And, while these are the Green Bank's current approaches, the Green Bank needs to fill additional areas of need in the market. At present, the Green Bank is looking at new financing products that would support the needs of building owners, and in particular ones that would reduce the upfront cost burden for some end users. For such products to be widely available, the Green Bank would need more flexible capital than presently possessed. This approach would be very supportive of any BEPS legislation that would be passed.

c. Attract capital to the Green Bank balance sheet to offer more financing resources
The Green Bank looks to use the funds on its balance sheet to leverage other private capital to create offerings that meet the most flexible investing demand for some projects. Capital partners willing to offer this on-balance sheet funding look for substantial equity capital on the financial statements of the Green Bank. There are many degrees of capital markets approaches (e.g., private placements, asset backed securities, municipal bonds) that improve with issuer funding consistency, and such consistency correspondingly drives down the cost of capital.

This leveraged capital, including that from the proposed Clean Energy and Sustainability Accelerator of the Build Back Better framework, would be used by the Green Bank to blend with other Green Bank resources and create a greater availability of such investable capital to end users.

d. *Provide Green Bank financing offerings in areas outside of the Pepco territory*.
The Green Bank's current resources from the Pepco-Exelon settlement are limited for use in the Pepco service territory of the County. The availability of resources without such limitation would allow the Green Bank to more readily serve all parts of the County. The recent Zoning Text Amendment with respect to community solar in the agricultural reserve is one example of this growth area where such capital could be more available.

2. Funds in Support of Growing the Market in Clean Energy Economy

The Green Bank has conducted several activities in support of growing the market for the clean energy economy. The Green Bank proposes that a portion of the funds provided to the Green Bank be available to support the Grow the Market activities that aid property owners.

a. *Community Education and Engagement*: The Green Bank has conducted over 100 presentations, webinars, focus groups, and trainings in the last year to educate and inform community groups, condominium associations, homeowners, faith-based organizations, and commercial property owners. These sessions focused on why undertake energy efficiency and renewable energy efforts, how to understand the benefits and economics, and means to fund the measures, including with Green Bank resources. These presentations have driven many more interested parties to initiate plans or take steps to undertake measures and are a major source of Green Bank work with customers.

b. *Technical Assistance to Define Strategies*: The Green Bank has conducted about a dozen pilots of technical assistance to affordable rental, common ownership community, and commercial property owners that aided these owners to understand the current energy use conditions of the property, the improvements that could increase energy performance and associated savings benefits, and the financing offerings that could be used to support such improvements. This has helped these organizations in their future improvement planning (as this often can take a year or more to build into plans for improvement and property decision-making) and to incorporate the enhanced energy saving concepts into these future plans. A couple owners are taking some immediate steps based on these assessments.

c. *Connecting to Clean Energy Businesses*: The Green Bank is serving the clean energy marketplace by referring residents and businesses to community energy players to support the needs of these new market participants. This is creating value to the clean energy economy.

3. Equity Focus for Funding

The Green Bank has an intentional mission to assure that its financing offerings and their use are equitably available and used across the County. The Green Bank has undertaken several activities to advance equitable access to its current funding, including in community solar with a focus on at least 30% LMI inclusion in projects, a LMI solar pilot being designed for launch in 2022, a concentrated effort to advance solar with a diverse set of faith-based, investment in affordable homeownership communities, and technical assistance to affordable rental and homeowner properties.

The Green Bank would include such equity consideration in the use of the funds in this proposal by assuring that a percentage of the uses of the funds would support equity goals. This would include funding that supports minority- and women-owned businesses, affordable housing, and low- and moderate-income homeowners.

4. Workforce Development

The improvements supported by the Green Bank require a local workforce to implement. The ability to have sustained work aids this workforce in knowing it will have job opportunities for some time. The benefits are both direct for the service installers and indirect in all of the accompanying professional, maintenance, and service jobs that support this sector.

The Green Bank proposes that a small portion the funding provided to the Green Bank would be available to partner with workforce development agencies.

5. Administrative Expenses

To date, the Green Bank has had access to a specified, limited amount of funds provided to the Green Bank from the Exelon-Pepco settlement to support its administrative costs. The Green Bank has used these funds in conjunction with internally derived revenues to support its administrative costs, but those internal resources take time to reach a sufficient pace to accelerate programs and transactions, particularly as the Green Bank explores new products and programs designed to address market gaps that will help address the County's climate goals.

The Green Bank proposes that the County Fuel Energy Tax allocation provide for flexibility, subject to its Board of Director approval, to cover administrative expenses to meet the needs required to deliver on these goals.

December 6, 2021

The Honorable Tom Hucker
Council President
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear Council President Hucker and Members of the Montgomery County Council:

The Montgomery County Chamber of Commerce (MCCC) supports Bill 44-21, *Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue*. Bill 44-21 would require the annual appropriation of 10 percent of the Fuel Energy Tax for the County Green Bank to help finance clean energy technologies. The Green Bank is a publicly-chartered nonprofit that lowers the cost of financing local clean energy technology investments.

MCCC has previously shared its support of using Fuel Energy Tax revenues for dedicated, purpose-driven financing that invests in the County's building infrastructure. In our testimony for legislation to amend the County's Building Energy Performance Standards (BEPS), MCCC asked that if the Fuel Energy Tax continues to be imposed the County should allocate a portion of this revenue for the purpose of assisting building owners in the financing technologies that offset the costs of complying with BEPS.

Bill 44-21 is a substantive step forward to make it more feasible for building owners to retrofit their properties and reduce emissions that meet the County's climate goals. MCCC requests that the County continue looking at additional alternatives that supplement efforts that work in partnership with building owners to reduce emissions.

Again, MCCC supports the passage of Bill 44-21 and looks forward to continuing to partner on ways to move Montgomery County forward. As you continue your important work, please do not hesitate to reach out to us if we can be of assistance.

Sincerely,

Georgette "Gigi" Godwin
President & CEO
Montgomery County Chamber of Commerce

Montgomery County Chamber of Commerce
51 Monroe St, Suite 1800, Rockville, MD 20850 | 301-738-0015 | www.mcccmd.com

Montgomery County Green Bank - Funding - Fuel energy tax revenue

Bill 44-21

December 7, 2021

Mr. Tom Hucker, County Council President
Montgomery County Council
Joint Committee
Stella Werner Council Office Building
100 Maryland Ave, Rockville, MD 20850

Re: Written Testimony in favor of Bill 44-21, Montgomery County Green Bank - Funding - Fuel Energy tax revenue

To: County Council President Tom Hucker,

Thank you for the opportunity to provide written testimony regarding Bill 44-21, directing 10% of the fuel energy tax to the Montgomery County Green Bank (MCGB). My personal and professional capacities have focused on breaking down structural barriers facing low-income communities and communities of color in addressing concurrent challenges of climate change, including increased likelihood of severe climate impacts and growing inequality. In my professional role, I work alongside partners across the country to advance effective investment strategies for community development projects that integrate racial equity, climate resilience, and health-equity outcomes for underserved communities of color.

The County Fuel Energy tax is regressive - meaning that it burdens our lowest income renters, homeowners, and small businesses, while being less likely to reap the direct benefits. However, the proposed bill would help to address this. Struggling families sometimes spend more than 20% of their incomes on electricity and heat - far more than the national average of 2.7%. On top of this, many low-income and vulnerable households have fewer residential options and rely on housing with deferred maintenance needs -- these households then pay more on energy costs to live in less efficient homes.

The MCGB is an important institution for responding to the intersecting challenges of climate, health, and inequity in the County. An established County source of funding for MCGB through the fuel-energy tax revenue is a step towards reducing the regressive nature of the energy tax by making it easier for people in our community to access the benefits of climate smart solutions like energy and water efficiency, solar, and resilience measures. The MCGB's mission is focused on climate-smart solutions that are inclusive and equitable, ensuring that everyone in our county can participate in a clean energy economy. Unlike traditional and big banks, MCGB has positioned itself as a trusted partner for residents and businesses in the community and has a track record for engaging with a diverse set of stakeholders, from other financial partners, contractors, community-based organizations, and leaders --including, as a partner along with NRDC and the Maryland Energy Advocates in supporting energy efficiency for low-income renters.

A secure revenue source for the Green bank will also support the ability to provide the necessary influence to achieve the County's ambitious climate goals, including implementing the Building Energy Performance Standards. It will allow the bank to keep the cost of climate solutions affordable and reduce barriers to climate and financial resources and technical assistance for our community, ensuring that no one will be left behind in the transition to a greener economy.

Like other sectors, energy efficiency, renewable energy, and resilience solutions are in the midst of disruptions from COVID-19, amplifying and impacting the health and well-being of small and minority households and businesses. Many businesses and homeowners are just beginning to resume making energy efficiency improvements and investments, making an intentional effort to spur avenues for advancing these efforts locally, timely and necessary. As a resident of Montgomery County as well as a member of the Board of Directors for the MCGB, I believe we have an opportunity now for our community to people first while building a local, healthy, and green economy. We must grow the ability to create good paying green jobs and ensure that our homes and buildings are efficient, safe, and affordable. In implementing Bill 44-21, it is crucial that we approach the work beyond cost and GHG savings measures, but instead also with core equity principles that realize energy justice is critical. These priorities for the funds include:

- Reducing energy burdens for low-income households and businesses of color
- Addressing past environmental justice harms of the fossil energy industry by reducing reliance on fossil fuels and repairing past injustices
- Ensuring active engagement with Black, Brown, and Indigenous communities in the clean energy economy, technology, and innovation

This engagement on these priorities can take several forms – whether a community space on the Board, or a formal engagement with resident boards who have been active with the County, such as those engaged in the County Action Plans. Furthermore, this also includes developing inclusive key performance indicators (KPIs) and designing revenue uses around these measures to better represent the value of this equity-focused work in our community.

Again, I appreciate the opportunity to testify today. For more information, please reach out to me at marissa.ramirez@gmail.com.

Sincerely,

Marissa Ramirez
Board of Directors, MCGB
Resident, Montgomery County

December 7, 2021

City First Enterprises
1 Thomas Circle, NW, Suite 700
Washington, DC 20005

Re: Bill 44-21 Funding for the Montgomery County Green Bank

Dear Councilmembers:

Thank you for the opportunity to submit written testimony with regard to Bill 44-21. As a partner to the Montgomery County Green Bank (MCGB), City First Enterprises (CFE) has seen firsthand the impact that the Montgomery County Green Bank makes across Montgomery County communities. A nonprofit loan fund with regional green energy and energy-efficiency investments, CFE relies on MCGB as our primary partner for green lending in the county. By allocating 10% of the Fuel Energy Tax to MCGB, Councilmembers can fully actualize the potential of the organization.

CFE partners with MCGB because they are uniquely positioned to bring about a more just green recovery—across small businesses, residences, affordable housing, and more. Our work with the MCGB has demonstrated not only the importance of such efforts, but also their viability. For example:

- MCGB has created opportunities for CFE to deploy our capital and leverage public dollars in service of an inclusive, green economy. We participate in deals for which we otherwise might not have had the opportunity, and our blended capital has greater impact than would either of our capital on its own.
- Blending capital also means sharing financial risk across organizations, which has been essential for CFE to start lending in this vertical. Momentum is strong, and we are growing our presence in the market in large part because of this partnership.
- MCGB's capital, alongside CFE capital, helps create more flexibilities to meet the needs of projects. Collaborative lending is crucial to ensure that we are able to close on more complex deals.
- This joint effort is educating consumers and other decisionmakers at greater scale, building awareness of the market and helping to create opportunities for both organizations. CFE recently received a $100,000 grant so that we can build our internal capacity and ultimately grow our green lending.

MCGB is blazing a trail for private funders/investors to commit capital to critical sustainability projects, and those same funders/investors increasingly want to know that public funds are also committed. Accordingly, it is our sincere hope that the Council expands its funding commitment to MCGB.

Sincerely,

Oswaldo Acosta
President and CEO

HANS RIEMER
COUNCILMEMBER AT-LARGE

100 Maryland Ave
Rockville, MD 20850

CHAIR
Planning, Housing, and Economic Development Committee (PHED)

MEMBER
Transportation and Environment Committee (T&E)

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

MEMORANDUM

To: Councilmembers
From: Councilmember Hans Riemer
Date: January 27, 2022
Re: Energy equipment retrofit amendment to Bill 44-21

On Tuesday, February 1, the Council is poised to take up Bill 44-21, which annually dedicates 10% of County energy tax receipts (approximately $18 million/year) to the Montgomery County Green Bank. I am grateful to the legislation's authors, Councilmembers Friedson and Hucker, for bringing this important climate initiative forward.

As a strong supporter of the strategy to "electrify everything" to fight climate change, I worked with Chesapeake Climate Action Network to introduce an amendment to Bill 44-21 that would prohibit the Green Bank from using the new energy tax revenues for projects that install new or retrofit existing fossil fuel-based energy equipment. On December 9, 2021, the joint GO/T&E Committee unanimously supported the amendment.

The "electrify everything" strategy is absolutely critical to getting us on the path to zero emissions, and it is quite simple: 1) cleaning up the electricity grid and 2) putting everything on the clean grid.

This amendment helps put Montgomery County at the forefront of the electrification strategy by putting our public monies behind the cleanest technologies, instead of supporting fossil-fuel based energy systems that are designed to last another 10-20 years, which is well past the County's goal of zero emissions by 2035. Fortunately, the electricity-based equipment tends to be more efficient than their natural gas counterparts and are quickly becoming cost competitive. Further, this amendment is consistent with the Maryland Commission on Climate

Change's recently call for all electric building codes and substantial investments in electric retrofitting.

However, I have since learned that a measure of flexibility and additional analysis is warranted. While the market for electric systems is maturing and costs are coming down much as we have seen for solar panels, there are still legitimate challenges for some older commercial and multi-unit residential buildings to convert to electric even though they could capture energy efficiency and cost benefits through a more efficient gas system. While the amendment only applies to the new energy tax revenue and not the existing resources of the Green Bank, I am sensitive to those concerns.

Through productive conversations with the Green Bank, environmental advocates, and other stakeholders over the past month, I have developed what I believe to be a consensus approach to this challenge. I am proposing a one-year transition period and a report from DEP on the costs of fossil-fuel and electric energy systems. I have attached the revised amendment.

The transition period will provide some time for the electric market to further mature and allow the Green Bank some additional flexibility with the first appropriation. The transition period also nicely coincides with the County's tentative timeline for developing (and approving) Building Energy Performance Standards (BEPS). DEP's analysis of the costs will provide the next Council with the information to properly assess this provision of the legislation.

I firmly believe that public money should be at the tip of the spear, accelerating the energy transition we know we need. In a more nuanced and practical way, the revised amendment does just that.

Montgomery County Councilmember Hans Riemer
100 Maryland Ave. Rockville, MD 20850 | Councilmember.Riemer@montgomerycountymd.gov | 240.777.7964

Riemer Phase-in Amendment

Amend lines 24-29 as follows:

(f) *Restrictions on County funding*. **[[**The**]]** After July 1, 2023, the Green Bank must not use the annual direct appropriations from the County to fund new mechanical energy equipment that uses fossil fuels or the equipment that upgrades the efficiency of existing mechanical energy equipment that uses fossil fuels. The Green Bank must use the annual direct appropriations from the County as follows:

Amend lines 82-83 as follows:

Sec. 2. Effective date; report.

The amendments in Section 1 take effect on July 1, 2022. The Director of the Department of Environmental Protection must submit a report to the Council and the Executive on or before May 1, 2023 estimating the cost of converting fossil fuel mechanical energy equipment to electric power.

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Montgomery County Councilmember Hans Riemer
100 Maryland Ave. Rockville, MD 20850 | Councilmember.Riemer@montgomerycountymd.gov | 240.777.7964

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Reporting Amendment

Add the following after line 36 of the Bill:

18A-50. Report

The Board of Directors must report annually by December 31 on the activities and finances of the Green Bank to the Executive and Council. The report must include details about the use and fund balance of County funds.

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Agenda Item #10B
February 1, 2022
Action

M E M O R A N D U M

January 31, 2022

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney

SUBJECT: Bill 44-21, Montgomery County Green Bank – Funding – Fuel Tax Revenue

PURPOSE: **Final Action Addendum –** roll call vote expected

We received the attached updated bill review memorandum from the County Attorney's Office. The memo raises the possibility that the amendment approved by the Committee requiring the Green Bank to use 20% of the County funds for projects located in Equity Emphasis Areas of the County may violate the Equal Protection Clause of the U.S. Constitution without a legislative record sufficient to support it.

This packet contains:	Circle #
Updated Office of the County Attorney Memorandum	1

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OFFICE OF THE COUNTY ATTORNEY

Marc Elrich
County Executive

John P. Markovs
Acting County Attorney

M E M O R A N D U M

TO: Adriana Hochberg
Acting Director, Department of Environmental Protection

VIA: Edward B. Lattner, Chief
Division of Government Operations

FROM: Taggart B. Hutchinson
Associate County Attorney

DATE: January 31, 2022

RE: Bill No. 44-21, Montgomery County Green Bank – Funding – Fuel-Energy tax revenue (UPDATED AFTER PROPOSED WORKSESSION AMENDMENT)

We are writing to update our December 1, 2021, bill review memo to address an amendment recommended at the joint GO / T&E Committee Worksession. The amendment provides that the Green Bank must use the direct annual appropriations from the County as follows: "20% of the funds must be used to support the Bank's activities in Equity Emphasis Areas [EAAs] in the County as defined by the Metropolitan Washington Council of Governments."

The National Capital Region Transportation Planning Board created EEAs in 2017 for the purpose of prioritizing transportation improvements in traditionally underserved communities "that have significant concentrations of low-income and / or minority populations." The Washington Metropolitan Council of Governments (by Res. 47-2021, Oct. 13, 2021) and the County Council (by Res. 19-1058, Nov. 16, 2021) have since endorsed the use of EAAs as a "Key Planning Concept and Tool to Inform Decision Making and Action."

In a memorandum dated October 1, 2021, reviewing Bill 31-21E (attached), we discussed how use of EAAs without a sufficient legislative record may violate the Equal Protection Clause of the Fourteenth Amendment of the United States Constitution.

> The Equal Protection Clause prohibits treating similarly situated individuals differently. When the County enacts a law that distinguishes between groups of people based on their income, courts will presume that the law is constitutional

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> under a rational basis test, and a potential plaintiff would have to prove that the law is unrelated to a legitimate government objective. However, as a practical matter, the presumption goes the other way when the County enacts a law that distinguishes between groups of people based on race, which is a suspect class. In that case courts will apply a strict scrutiny test and the burden is on the County to prove that the law is narrowly tailored and necessary to achieve a compelling interest. For example, the use of race as a factor in government contracting is permissible only to the extent it is supported by statistically significant empirical evidence of a disparity supporting the need for race-based remedial action and the failure of other non-discriminatory remedies. There is no such support in the legislative record for Bill 31-21E. The application of the strict scrutiny standard almost always results in the challenged government action being nullified.

That same advice applies to this proposed amendment to Bill 44-21. Please let us know if you have any questions or wish to discuss this matter.

Attachment (Oct. 21, 2021, OCA Review Bill 31-21E)

cc: Stan Edwards, Division of Energy, Climate, and Compliance
Lindsay Shaw, Manager, Department of Environmental Protection
Mike Coveyou, Director of Finance
John P. Markovs, Acting County Attorney
Bob Drummer, Senior Legislative Attorney
Ken Hartman, Director of the Strategic Partnerships

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