Financing Climate Change Adaptation

A fact sheet from ICLEI-Local Governments for Sustainability USA's
Climate Resilient Communities™ Program
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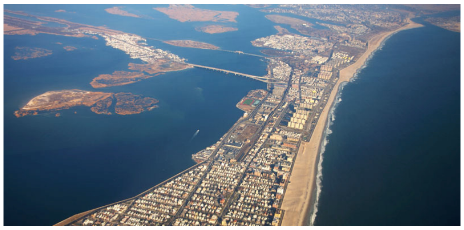

Acquiring Capital

The main methods by which local governments acquire capital to pay for large-scale adaptation projects involve **bonds**, **loans**, or **grants**. Each can be used alone or in combination to finance adaptation initiatives (i.e., utilizing bonds to amass the money needed for matching requirements on grants). **Sinking funds,** savings put aside by an entity to either reduce debt (i.e., repaying loans or repurchasing bonds) or acquire capital for sizeable, expected expenses (i.e., replacement of aging infrastructure or purchase of new assets), are another financing option. Methods for raising revenue that can be used to grow sinking funds include **taxes**, **fees**, and **special charges**.

General taxes are levied on a broad section of the public, such as wage earners or property owners. **Selective sales taxes** are levied on the sale of particular products and services. **Fees** are charges for special municipal services, sometimes imposed only on the subset of the population benefiting from the service (e.g. special assessments). Additional ways of generating revenue include the **sale of carbon offsets** and renewable energy certificates resulting from local government climate mitigation projects. Additionally, local governments can allow local taxpayers (provided enabling state legislation exists) to provide voluntary contributions to local programs via municipal tax and utility bills in what is known as **municipal tax check-off programs**.

Additionally, **public-private partnerships**, where private companies get involved in the ownership or operation of government facilities, have proven to be effective for acquiring capital or reducing costs. For case studies and a comprehensive analysis of financial tools for local governments, explore the *Guidebook of Financial Tools: Paying for Environmental Systems*, found on the U.S. EPA Center for Environmental Finance website[1]:
http://www.epa.gov/efinpage/guidebook.htm

Collaborating with Insurance Providers

The insurance industry has shown that projected losses to U.S. properties due to climate change will be substantial. For this reason, the National Association of Insurance Commissioners (NAIC) started requiring in 2009 that the biggest U.S. insurance companies disclosure to the public and the NAIC regulatory body the financial risks they face from climate change, including potential actions to address these risks.[2] As climate risk increases due to climate change and is incorporated into insurance policies, new funding opportunities that integrate effort between insurance providers and local governments will likely emerge. One such existing program is the National Flood Insurance Program (NFIP) Community Rating System (CRS), a voluntary incentive program that recognizes and encourages community floodplain management activities that exceed the minimum NFIP requirements by providing **discounts on insurance premium rates** to reflect the reduced flood risk resulting from community actions. More information on this program can be found here: http://www.fema.gov/business/nfip/crs.shtm.

Federal Grant Funding

To assist local governments in developing a climate adaptation financial strategy, a list of **federal grant opportunities** related to climate change, adaptation, and resilience is provided on the reverse page.

Securing Federal Grant Money

The likelihood of being awarded grant funding is greatly improved when grant applications include robust and well-crafted proposals. Putting together an outstanding grant application will entail:

- Working with town staff, including planners, engineers, and financial officers, to assess the costs of the various adaptation approaches in consideration

[1] Also available via the U.S. EPA portal is the Environmental Finance Center Network (EFCN), consisting of ten regional, university-based centers. For regional research and publications, visit: http://www.epa.gov/efinpage/efcn.htm
[2] New England Environmental Finance Center. *Preserving Assets in At-Risk Municipalities.* July 2009. http://efc.muskie.usm.maine.edu/docs/preserving_assets_atrisk_municipalities.pdf

• Reading the latest peer-reviewed climate science findings, and connecting with academic research experts to determine the probabilities of climate events that are expected as well as those already happening

• Estimating costs to infrastructure, real estate, local economic activity, and natural system function that may result from inaction

• Demonstrating ongoing commitment to climate adaptation efforts that also consider greenhouse gas emissions reduction goals by joining an organization like ICLEI-Local Governments for Sustainability (learn more at http://www.icleiusa.org/join)

• Adopting a proven planning process that takes steps toward institutionalizing climate considerations across government operations by participating in ICLEI's Climate Resilient Communities™ (CRC) program

Funding Opportunities

Direct links to funding opportunities are provided below. Local governments seeking grant funding should also frequently search the Catalogue of Federal Domestic Assistance (www.CFDA.gov) and www.Grants.gov, a database of thousands of grant programs offered by all federal grant making agencies.

DOT/HUD/EPA Sustainable Communities Partnership
http://www.epa.gov/smartgrowth/pdf/2010_0506_leveraging_partnership.pdf

FEMA Hazard Mitigation Assistance (HMA)
http://www.fema.gov/government/grant/hma/index.shtm

US EDA: Investments for Public Works and Economic Development Facilities / Triple Bottom Line Program
http://www.eda.gov/InvestmentsGrants/FFON.xml

USDA/NRCS Emergency Watershed Protection
http://www.nrcs.usda.gov/programs/EWP/

HUD Property Improvement Loan Insurance (Title I)
http://www.hud.gov/offices/hsg/sfh/title/title-i.cfm

NOAA Climate and Societal Interactions Grants
http://www.climate.noaa.gov/cpo_pa/

HUD HOME Investment Partnerships Program
http://www.hud.gov/offices/cpd/affordablehousing/programs/home/

HUD Rehabilitation Mortgage Insurance
http://www.hud.gov/offices/hsg/sfh/203k/203k--df.cfm

USDA/RD Rural Housing Repair/Rehabilitation Loans
http://www.rurdev.usda.gov/rhs/sfh/brief_repairloan