WORKSHOP NOTES: FISCAL POLICY, ADAPTATION, EQUITY
October 1, 2021

Fiscal policies are a powerful tool for economic development. Unfortunately, fiscal policies can fail communities by entrenching inequities. In the NOAA RISA working group's third workshop, we explored the connections between fiscal policy, climate adaptation, and equity. We provided examples of how fiscal policies can exacerbate inequality, locking people into a downward spiral. We then reviewed strategies that could result in more equitable access to climate resilience funding.

Topics covered in this summary:

1. Presentation highlights
2. Discussion highlights
3. References

Presentation recording: https://vimeo.com/632228131

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1. Presentation highlights

Part 1. Entrenched pathways

Disasters are not experienced equally across racial and socioeconomic divisions. Research has demonstrated that the more natural hazard damages accrue in a place, the more white residents tend to accumulate wealth, whereas black residents tend to lose wealth. This has been found in multiple national analyses of federal buyouts and post-disaster financial assistance.

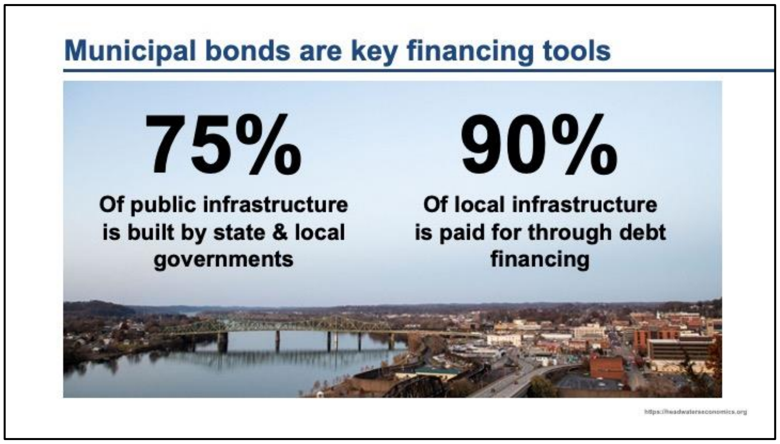
We expect climate change to further entrench vulnerability unless policies are designed with equity at the forefront. One of the fundamental problems is that fiscal policies and practices are focused on protecting property value and not people. This was a reoccurring theme throughout the presentation.

Fiscal policies are failing most Indigenous communities.

For example, the Pine Ridge Reservation's incomplete, asbestos-tainted, leaky water system contributed to a humanitarian crisis where people had limited access to food and water for weeks following severe flooding in 2019.

Part 2. Access to financing – equity implications

Vulnerability is not a point in time. It's a product of time. How political power is consolidated over time, how resources are allocated, and who has been dispossessed and left behind matters for vulnerability. Fiscal policy can be used to address inequalities or make them worse. This is particularly true of fiscal policy decisions related to infrastructure investments.

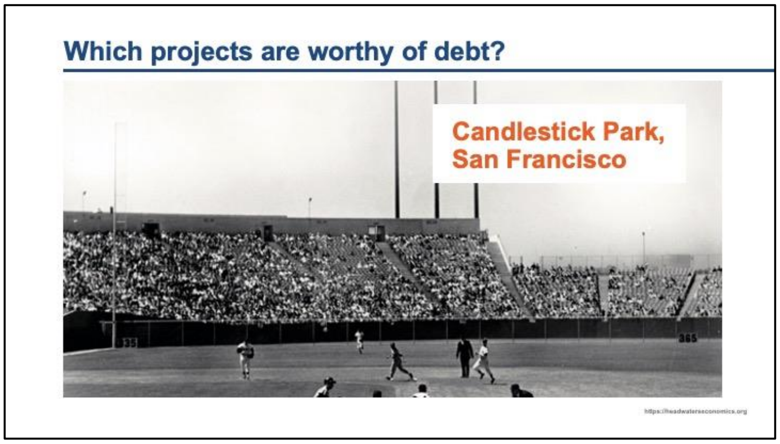


We know that climate change is going to demand new infrastructure investments.

75% of our public infrastructure in the U.S. is built by state and local governments. And 90% of local infrastructure is paid for using the municipal bond market, according to the Municipal Securities Board.

Destin Jenkin argues in his book, *The Bonds of Inequality*, that the history of municipal debt is also the history of racial disparity in American cities. He takes a deep dive into San Francisco and notes that an influx of people after World War II and very low interest rates led to an increasing dependence on the bond market.

The outcomes of this dependence were highly racialized – what Jenkins describes as "an "infrastructural investment into whiteness." Bonds were passed that largely created infrastructure investments, amenities, and services that benefitted white and more affluent neighborhoods while black, brown, and immigrant neighborhoods were left behind.



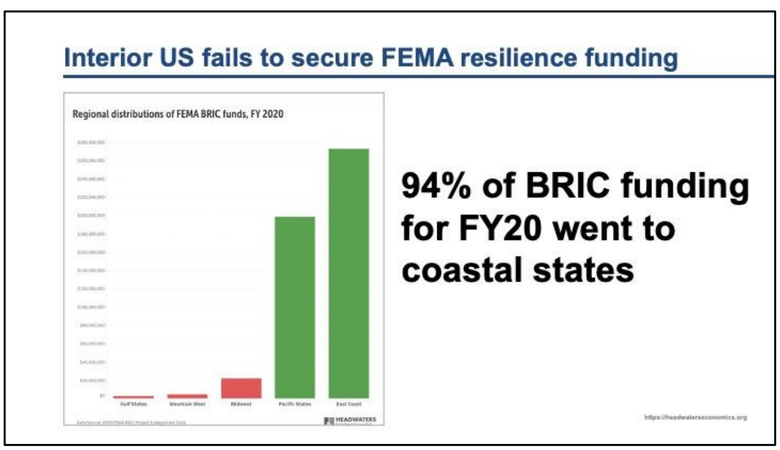
For example, Candlestick Park was built in the 1950s with municipal bond financing. The primary beneficiaries were institutional investors and highly wealthy individual backers (almost all white). Other projects, like schools and parks in Hunters Point and Chinatown, were not considered worthy of debt.

Infrastructure investments often have long-term consequences that impact preparedness for climate change. For instance, we know that wealthier and whiter neighborhoods tend to have better access to green space and tree coverage which can decrease vulnerability to heat waves.

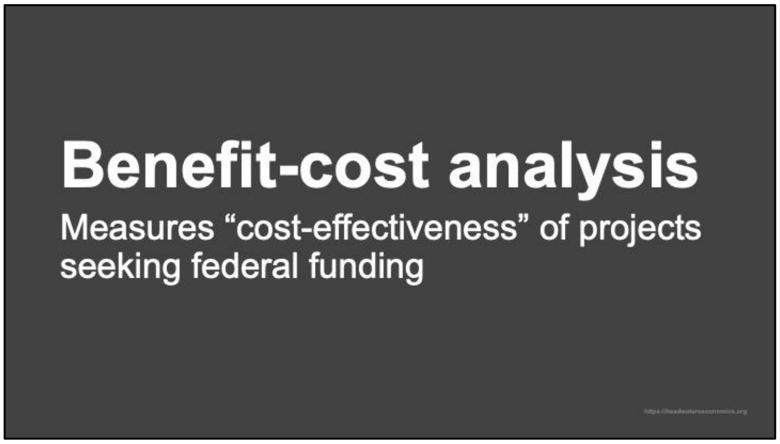
Ultimately, the people most vulnerable to climate change will likely experience a double exposure in which they are both physically and financially exposed to climate change..

Part 3. Access to funding – equity implications

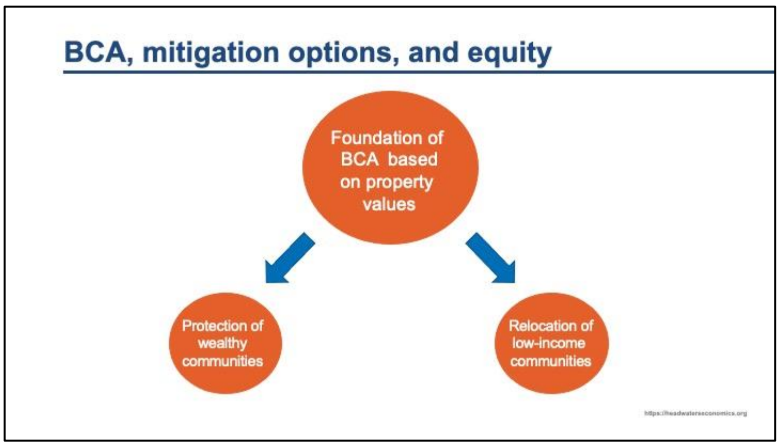
The Biden-Harris Administration has prioritized investing in infrastructure, hazard mitigation, and adaptation projects. However, when federal funding is uncoordinated and/or does not directly prioritize equity, it too often fails to end up in the hands of the people that need it the most.



One example of disparities in federal funding can be seen in the inaugural selections for FEMA's Building Resilient Infrastructure and Communities (BRIC) grant. BRIC was widely lauded for prioritizing climate change adaptation and equity. However, funded projects were disproportionately located in more urban and affluent coastal states.



Why did this occur with FEMA's BRIC grant selections? Rural and lower-capacity places often do not have the time, staff, and expertise to submit federal grants. When they do, the scoring criteria and benefit-cost analysis (BCA) can block places with lower population densities and/or property values from qualifying.



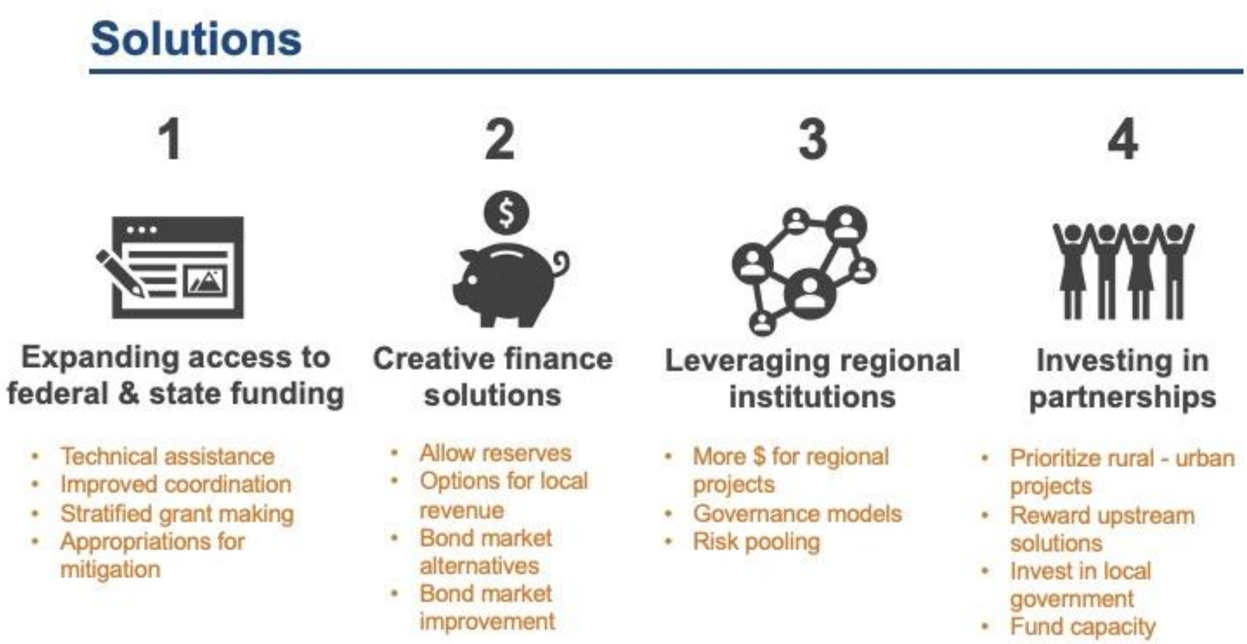
A BCA is required for most federal funding to demonstrate cost-effectiveness of the project. However, the BCA's foundation is built on property values—not people, homes, or vulnerability. BCA has resulted in a strategy based on the idea of adaptation for capital rather than people.

For example, in Cedar Rapids, Iowa, a neighborhood with low-income residential homes applied for federal funding to build a levee but was denied due to the low property values. Across the river, another neighborhood applied and secured federal funding for flood protection due to its higher-value properties.

The research demonstrates that—because of the BCA—higher-income communities qualify for projects that help them stay in place while lower-income communities are more likely to qualify for projects that displace them (like buyout programs).

Today's fiscal policy is failing to allocate resources equitably, exacerbating vulnerability and exposure to climate change.

Throughout this workshop and the broader workshop series, we have offered a range of solutions. We identified four categories of solutions:



2. Discussion Highlights

Research questions identified and discussed by workshop participants

During our discussion, we reflected on the research opportunities from the three workshops:

Workshop 1
Vulnerable Revenue
3/12/2021

Workshop 2
Why Geography Matters
6/4/2021

Workshop 3
Equity, Fiscal Policy, & Adaptation
10/1/2021

During our final discussion for this workshop series, the research questions that received the most interest included:

(1) How can grants and appropriations target high-risk communities effectively?
(2) Can regional / multi-jurisdictional funding better serve under-resource communities?
(3) How can we effectively invest in local capacity and assistance?

The following additional research opportunities and interests were raised by participants:

- What's the risk of maladaptive infrastructure due to lack of coordination or not considering future conditions?
- How can we improve access to other sources of funding like green banks?
- How is funding and finance uneven within more urban communities? We need to understand uneven access to climate financing between communities but also within communities.
- What's the role of regulated institutional investors (e.g., state pension funds) in funding creative adaptation investments?
- What are the synergies between adaptation and disaster recovery? How do they support or constrain equity?
- How can we help communities and individuals be proactive instead of reactive (particularly in securing money for adaptation)? There's a risk that communities are just responding to grants as opposed to being strategic.
- How do fiscal policies incentivize certain solutions and not others? How do these impact outcomes from climate adaptation and/or mitigation? (e.g., The rise in mobile homes coincides with substantial decreases in federal investments in affordable housing. What does that mean for disaster and climate change preparedness?)
- How does adaptation intersect with long-term individual and community wealth?

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