



ADVANCING CLIMATE ACTION THROUGH MUNICIPAL CLIMATE BUDGETING

Erik Fabian, ResourceX/Tyler Technologies

Anne Marie Cleary Rauker, ICLEI - Local Governments For
Sustainability USA

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INTRODUCTION

Local governments have a crucial role in anticipating and coping with climate challenges. By prioritizing increased climate investments, ambitious community planning and robust policies, governments can individually and collectively play a pivotal role in translating climate plans and targets into achievable and funded climate action.

This is why it has become increasingly critical to develop local climate plans where governments commit to strengthening their climate resilience, raising adaptive capacity, reducing emissions, improving disaster preparedness, upgrading response strategies, and adopting stronger adaptation and mitigation measures.

Naturally, implementing such actions is only possible if governance challenges are addressed. These challenges include funding constraints, insufficient political will, centralized institutions and economies, and competing priorities.

This is not to say nothing is happening within local government. In fact, many cities and local governments are taking action by investing in renewable energy, transitioning their fleets to non-polluting alternatives, and creating more energy-efficient facilities. However, the scale of action required to meet ambitious emissions reduction targets or support the construction of climate-resilient infrastructure has yet to be attained. The technological and construction wherewithal and the financial resources available through the private sector and federal government are at a budget and procurement complexity level that many local communities are unsure how to utilize.

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Integrating climate action into subnational governments' budgeting process isn't just a commitment to sustainability—it's a smart investment for the future. By aligning financial resources with climate goals, communities ensure that every dollar advances their residents' resilient, equitable, and sustainable future.

Saharnaz Mirzazad
Executive Director, ICLEI USA



WHY EVERY LOCAL GOVERNMENT NEEDS A CLIMATE BUDGET

Although the need for a climate action plan is obvious, the way to pay for it often isn't. Traditional line-item budgets obscure insights into how funds are used at the program level. This lack of visibility makes allocating sufficient budget to programs that serve and advance climate action goals difficult.

A climate budget is “a systematic approach or governance system that ensures the carbon budget, or long-term emissions reduction target, is integrated into a city’s daily operations and policies.” Offering a strategy to turn climate commitments into funded and measurable actions across the government.

In other words, it creates and institutionalizes a decision-making framework to help local governments make the climate a decision driver across departments, prioritize the climate in operating and capital spending plans, and turn climate action plan goals into financed action items.



WHY IS CLIMATE BUDGETING ESSENTIAL?

Climate planning and budgeting integration creates opportunities to measure “true costs” within local governments' capital and operating budgets. These true costs are especially important when lifecycle cost assessments and risk management factors are integrated into the human and physical infrastructure of local government operations.

The development of a “Climate Budget” process allows for opportunities to integrate citywide goals and targets into local government’s fiscal responsibilities and capabilities. Such integration can help local governments manage progress towards goals like greenhouse gas emissions reduction or the installation of climate-resilient infrastructure.

Furthermore, the increased financial implications and pressures resulting from the climate crises negatively impact both municipalities and investors, creating financial stress on municipal operations.

The truth is that addressing climate-induced infrastructure challenges and emissions reduction makes good business sense, resulting in a clear business case for carbon reduction and infrastructure resilience.

Finally, local governments have unique agency, powers, and capabilities within their sphere of influence, offering distinct advantages such as:



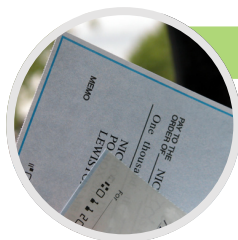
Government Money (Tax Revenue)

Operating & Capital Budgets, additional revenue generation, funding prioritization and reallocation, tax policy and incentives



Government Assets + Capacity

Government-owned property, pensions, procurement, zoning, land use, policy authority, licensing, permits, etc.



Other People’s Money

Grants, loans, local and regional partnerships, and philanthropic opportunities

Although the scale of the climate crisis exceeds what most governments can fully address within their operating and capital budgets, budgets remain the clearest expression of government priorities. With a new federal administration taking office in January 2025, questions arise about its commitment to supporting, funding, and addressing state and local climate action.

Local governments have the most agency and capacity within their budget. And climate budgeting is the mechanism to align funds for the greatest climate impact.



HOW CLIMATE BUDGETING IMPACTS CLIMATE ACTION PLANS

A climate action plan (CAP) is a science-backed strategy that defines how a local government will reduce greenhouse gas (GHG) emissions.

CAPs are used to identify the most cost-effective approach to reducing emissions in a region. However, the plan may include clean energy targets, resilience strategies, social and economic goals. A CAP is essentially the framework that supports the plan’s action items, including directives that address climate changes that are already occurring in specific regions.

ICLEI USA has identified six phases of climate action execution in local government:

Discovery Planning Scoping Budgeting Procurement Delivery

Developing the GHG inventory and identifying climate risks, opportunities, and threats.

Creating the climate action plan that guides activities of either mitigation, adaptation, or both

Designing of specific activities originating from the climate plan.

Integrating climate action and resource allocation to support the climate plan through revenue streams or new financial structures.

Purchasing or selecting specific tools, infrastructures, or human resources to support the delivery of the climate plan.

Executing a project task, process, or asset allocation identified in the climate plan.

To transition from climate planning to climate action, funding must be allocated to the CAP through the operating and/or capital budget. **Climate budgeting** supports climate action planning efforts by:

- Embed climate targets, measurements, and action items into the annual budget.
- Measure project, program, and service alignment with sustainability goals.
- Prioritize and fund programs that support climate action.
- Provide insight into options to free up or reallocate existing resources and generate new revenue, driving investment in climate action programs.
- Develop a budget proposal scoring matrix to consistently and transparently evaluate proposals across competing priorities.
- Apply a climate-focused decision-making framework to ongoing budget decisions.



CREATING A COMMUNITY OF PRACTICE

Recognizing the needs associated with accelerating climate action plan implementation and the disconnect between planning and funding climate action, ResourceX/Tyler Technologies partnered with ICLEI USA in 2023 to forge a **Budgeting for Climate Action** learning cohort. This initiative brought together nine municipalities to advance their climate action plans by strategically leveraging their municipal budgets to achieve their goals.



Each municipality recognized the impediments facing their climate plans and the need to better align their jurisdiction's financial capabilities with the needs identified in their climate plans. This diverse cohort comprised small towns and counties and the country's largest city, New York City.

In 2024, ResourceX/Tyler Technologies again partnered with ICLEI USA and the **Metropolitan Washington Council of Governments** (MWCOC) for a second Budgeting for Climate Action learning cohort consisting of eight MWCOC members focused on advancing their climate action plans and leveraging the resources of their municipal budget to achieve their stated objectives.

Additionally, participants in this cohort were asked to consider and enhance equity considerations in their projects and initiatives. These eight MWCOC members comprised small and large cities and counties across Maryland, Virginia, and the District of Columbia. Several lessons formed as a result of the initial work of this community of practice:

Communication across departments is critical.

In many cases, budget officers and sustainability or climate teams never had formal communications between their divisions. Creating a common, shared language and understanding of their roles and key milestones is a critical first step toward integrating climate action into the budget process.

Creating a "Climate Budget" process allows for opportunities to integrate citywide goals and targets into local government's fiscal responsibilities and capabilities.

Such integration can help local governments manage progress towards goals like GHG emissions reduction or the installation of climate-resilient infrastructure.

Climate planning and budgeting integration create opportunities to measure "true costs" within local governments' capital and operating budgets.

These costs are especially true when lifecycle cost assessments and risk management factors are integrated into the human and physical infrastructure associated with local government operations



These cohorts, one of the first of their kind among American cities and counties, created a strong foundation for building the practice of climate-aligned budgeting. While the lessons may seem straightforward, they are not always obvious to many local jurisdictions. Prioritizing climate action in budgets requires strong leadership, effective use of data, and a commitment to transparency—elements that can drive innovative solutions, enhance government operations, and ensure better stewardship of fiscal and human resources.

Continued advancement of climate budgeting will require additional resources and wider adoption if local governments are able to meet their ambitions to significantly reduce emissions and construct more resilient infrastructure. Local governments that prioritize climate investments in their budgets can yield opportunities to spur economic development while mitigating their communities from the omnipresent financial risk exposure caused by the changing climate.

Climate Cohort Outcomes and Case Studies

Leveraging existing resources through municipal and county budgets provides a critical starting point and an immediate opportunity to make critical climate investments and mitigate the accumulating costs associated with weather-born events. By aligning resources, staffing, and priorities across departments, local governments can optimize opportunities and action towards community decarbonization and resilience.

Altogether, a whole-of-government approach to budgeting paired with advanced, delivery-oriented project management is the recipe for fully seizing this climate opportunity. This approach is at the heart of the Budgeting for Climate Cohort. The goal for cohort participants was to each identify 1 – 3 unfunded climate actions and develop strategies to fully fund, implement, and execute these actions. Learn what Budgeting for Climate Cohort participants are accomplishing below:

County Residential Energy Efficiency and Electrification Program

This County Residential Concierge Program will help to bridge the gap between currently available home energy efficiency, electrification, and renewable energy retrofit/upgrade programs. The Communitywide Energy and Climate Action Plan aims to retrofit 100,000 housing units by 2030.

The goal of this program (in its pilot phase) is to assist 1,000 households, with at least 200 of them choosing to make clean energy improvements. The target audience for this initiative is single-family attached and detached homeowners. Funding for this initial pilot program has been approved through the County budget and state grants.



Budgeting for Building Energy Performance



This County initiative will develop building energy performance standards that tie to financial oversight of the County's building acquisitions, new construction, and retrofits. This initiative will also:

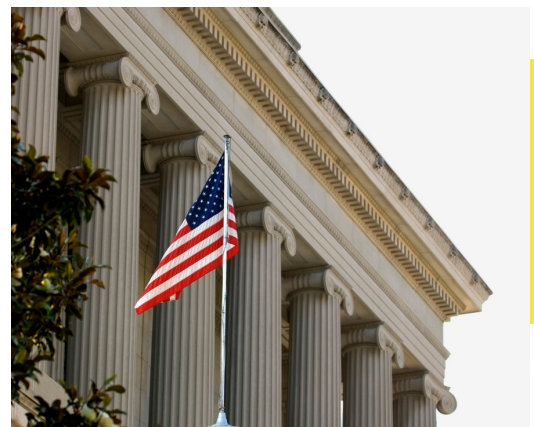
- Enhance budget selection criteria for Capital Improvement Plan (CIP) projects
- Create a plan for ten buildings subject to Building Energy Performance Standards (BEPS) regulations to include benchmarking, audits, and cost/benefit analysis
- Apply an asset management system to rate the condition of assets for use in budget development
- Develop building standards to tie to procurement and contracting

This program aims to fully electrify three BEPS buildings by 2030. Additionally, this initiative aims to benchmark all BEPS-regulated buildings in 2024 to support the County's Climate and Energy Action Plan goals. Funding for this initiative has been approved through a mix of operating and capital fund allocations.

Implement a Citywide Climate Budgeting Process

This City aspires to leverage its Climate Action Plan to build and develop a climate budget to fund climate action. High-level goals for this initiative include:

- Develop criteria to assess climate resilience measures in the proposed budget. The criteria should align with current and forecasted city climate risks.
- Develop a method to overlay criteria to assess capital improvement projects to align with City climate goals and needs, maximizing capital improvements and investments.
- Develop a tool to determine the alignment of current budget investments and policies to address present and future climate impacts.
- Clearly communicate the value and importance of climate budgeting as an integral part of the city planning and budget process.



County Solar Electricity Generation and Reduction in GHG Emissions



This County's project will aim to increase the adoption of renewable energy to combat climate change and lower greenhouse gas emissions. The project will focus on installing solar panels on residential, commercial, and community buildings, focusing on low-income areas to ensure equitable access to clean energy.

This \$5.85M initiative is funded through a \$1M grant, \$2.5M in capital budget funds, and \$2.35M in operating budget allocations.

EXPANDING COMMUNITY OF PRACTICE COHORT OPPORTUNITIES

Municipalities are facing a growing demand to integrate their climate action planning and budgeting processes. The ResourceX/Tyler Technologies and ICLEI-USA "Climate Budget Cohort" aims to create a community of practice among municipal budget and climate planning professionals. **Together, as demonstrated by its inaugural and second municipal cohort, a community of practice can help accelerate the implementation of climate action plans through improved budget design and integration of the costs and infrastructure investment considerations that are associated with mitigation and adaptation activities.**

As more municipalities acknowledge the gap between traditional budgeting processes and the need for climate-focused investment strategies, greater resources and attention are required to align government finances with the fiscal realities of climate change and its impacts on local communities.

Recent years have demonstrated that the fiscal and physical impacts of climate change are accelerating. **Local governments need to take three immediate steps:**

1. **Improve communications** between budgeting and climate professionals on staff,
2. **Identify linkages and gaps** between existing and future programs with a climate lens, and
3. **Establish budgetary priorities** that better leverage scarce municipal resources

Taking these steps to be better prepared to reduce carbon emissions and build resilience against climate risks will aid municipal budget sustainability and support the residents they serve, especially the most vulnerable populations.



ABOUT THE COLLABORATORS

ResourceX/Tyler Technologies supports local governments to strategically align resources with community outcomes. Erik Fabian serves as a Senior Advisor - Priority Based Budgeting. Through Priority Based Budgeting (PBB) methodology and software, local governments are accelerating data-driven decision making and budgeting to align resources towards society’s biggest challenges. Providing a platform to fund equity initiatives, climate action plans, and a fiscally sustainable future for residents and the community.

ICLEI is a global network of more than 2,500 local and regional governments committed to sustainable urban development. Active in 125+ countries, ICLEI influences sustainability policy and drives local action for low emission, nature-based, equitable, resilient and circular development.

ICLEI USA is an acknowledged leader in local government technical assistance, providing the tools, standards, and programs for local governments to measurably reduce carbon emissions.

Metropolitan Washington Council of Governments is the one place in metropolitan Washington that regularly brings leaders together to develop solutions to the region's major challenges. COG prepares plans enabling the region to receive federal funding, provides members with research and data to inform decision-making, and offers a wide range of programs, including commuter services, cooperative purchasing, technical assistance and grants, and public outreach campaigns.

Unlock Your Region’s Climate Action Potential: Secure a Fee-for-Service Budgeting Cohort

Regional governments looking to enhance their climate action and sustainability efforts through improved budget and purchasing processes can now secure a tailored, fee-for-service cohort with ResourceX/Tyler Technologies and ICLEI USA. This opportunity helps align climate goals with fiscal strategies, ensuring better coordination and a greater impact. Reach out to ICLEI USA today for a personalized quote and take the first step toward strengthening your region’s climate action framework.



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