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A Senate Committee Is Pondering Climate Risks to Towns' Credit.

Muni bond investors have so far been able to downplay climate change risks to state and local government creditworthiness, a bond research firm president told a Senate committee at a hearing Wednesday.

Tom Doe, president of Municipal Market Analytics, said at a hearing of the Senate Committee on the Budget—titled "Safeguarding Municipal Bonds from Climate Risk"—that the possibility of damage resulting from climate change has had little impact on state and local government bond prices.

That's for two reasons, Doe said: Disaster aid from the federal emergency management agency has helped communities rebuild; and ratings firms judging those communities' creditworthiness only look into the near future.

The committee also heard from a data scientist who helped develop a program recently acquired by Intercontinental Exchange Inc. for predicting the likelihood of natural disasters hitting specific towns, and a Columbus, Ohio, finance official who recommended creating a federal office to help municipal governments prepare for climate change.

Not everyone seemed convinced of a need for action. Sen. Chuck Grassley, an Iowa Republican, said at the hearing that he was more concerned about municipalities' reliance on federal funding. Matthew Kahn, a professor of economics and spatial sciences at the University of Southern California, testified that pension obligations and suburban flight are bigger risks to municipal credit.

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By Heather Gillers