

Bond Case Briefs

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US Municipal Bonds Face Rising Climate Risk Headwinds.

Several new municipal bonds are flagged for high flood and hurricane risk, raising questions about the climate resilience of local projects.

What's going on here?

A string of newly issued US municipal bonds—including billions from states like Florida, Texas, and Iowa—are hitting headlines for their steep exposure to flooding and hurricanes, based on ICE Climate Data scores.

What does this mean?

ICE Climate Data's rating system has flagged a fresh batch of municipal bonds for major climate vulnerability, with risk scores between 0.0 and 5.0. Polk, Iowa's \$6 million bond scored a worrying 4.8 for flood risk, Wheeling, West Virginia's \$61 million bond earned a 4.6, and Galveston County MUD No. 68 in Texas hit 3.8 for hurricane risk. Meanwhile, Lee County School District in Florida's \$393 million bond landed among the most at-risk, with a composite climate risk score of 4.8. Charleston County, South Carolina's \$196 million bond also received a high mark at 3.7. According to ICE, any score above 3.0 suggests elevated threat—whether from hurricanes, floods, or wildfires—prompting a closer look at how prepared local infrastructure is for climate impacts.

Why should I care?

For markets: Climate risk is changing municipal math.

Climate risk is starting to play a bigger role in municipal bond pricing, with investors keeping a keener eye on environmental vulnerabilities. This shift could push borrowing costs higher for regions slapped with top risk scores, making it harder for certain local governments to raise funds. Demand for climate transparency in bond disclosures means analysts and big investors are laser-focused on issues like those from Polk, Iowa and Lee County, Florida.

The bigger picture: Stronger infrastructure makes for stronger communities.

This is part of a bigger movement: climate adaptation is now a key factor in a city or county's financial future. As extreme weather becomes more common, communities slow to manage these risks may face rising insurance payouts and bigger borrowing hurdles. That's likely to shape everything from new school projects to how cities prep for emergencies for years to come.

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