

Opening Statement of Chairman Sheldon Whitehouse
Senate Committee on the Budget
"Rising Seas, Rising Costs: Climate Change and the Economic Risks to
Coastal Communities"
March 1, 2023

Ranking Member Grassley, members of the committee, witnesses, and guests, welcome to our second hearing. After our first hearing's high level budget impact overview, we begin looking at the specific ways climate change will burden—indeed is already burdening—our economy and our federal budget. We'll start with a look at our coasts.

The U.S. has nearly 13,000 miles of coastline. Forty percent of our population lives along the coast. More than \$1 trillion worth of residential and commercial real estate is coastal, as is much of our infrastructure: ports, coastal roads, water treatment. Climate change threatens to upend life as it's now lived in coastal communities, and put immense burdens on government.

Rhode Island may be the smallest state in the nation, but we have nearly 400 miles of coastline. In Warren, the smallest town in the smallest of our five counties, some homes have seen property values drop by one-third because of flood risk. Sea level rise is projected to permanently flood coastal portions of Warren over the next decade.

In 2017, Zillow's real estate database identified over 4,800 homes in Rhode Island that would be under water with a projected six feet of sea level rise — which is projected for us. That's nearly \$3 billion in home values. Our coastal communities turn into a Rhode Island archipelago.

This situation is not unique to Warren, or Rhode Island. For most American households, their greatest wealth is their home. As homes and businesses in coastal communities face more frequent sunny-day flooding, and wetter and more violent ocean storms, insurance will become more expensive and harder to find. Mortgages depend on insurance, so lending will suffer. Coastal communities will become harder places to live and work, and real estate values and local tax bases will decline. Moody's is already looking at local municipal bonds in this light. In emergencies, coastal communities will turn to the federal government for financial assistance. Federal flood insurance costs will rise.

The consequences go beyond real estate. Much of our infrastructure -- roads, bridges, military bases, and ports -- sits along coasts. When critical infrastructure is lost to regular inundation or storm damage, local economies suffer and again the federal government often has to foot the bill.

Unfortunately, the cost of these climate hazards is projected to grow. First Street Foundation has a peer-reviewed flood risk tool that shows significantly increasing risks to residential properties over the next 30 years. Rhode Island's own flood projections show similar risks. A study published just two weeks ago estimates flood risk in real estate markets, showing them overvalued now by \$237 billion.

Spoiler alert: the worst property overvaluations are along coasts. The study warns that coastal real estate values may plummet, and cascade into systemic risks for the mortgage market. As we

saw in 2008, trouble in the mortgage market can cascade out into the broader economy. Freddie Mac has made similar warnings, so let me close by quoting their former chief economist here today on the damage that climate change is likely to inflict as coastal property values get hit: “the economic losses and social disruption ... are likely to be greater in total than those experienced in the housing crisis and Great Recession” a sobering warning.

The only good news here is that by acting now we can minimize the damage and costs to households, businesses, and our economy.