HOW CLIMATE CHANGE AND LEGISLATIVE RESPONSES TO IT AFFECT THE BUDGET

Over time, those policies could reduce the extent of climate change and its harmful consequences, thereby also reducing its impact on the budget and the economy.

Spending and and Revenues

New policies could increase mandatory or discretionary spending, affect revenues, or impose regulations on the private sector or on state and local governments.

Policy Choices

Lawmakers could adopt policies intended to mitigate climate change or to help the nation adapt to its effects.

Discretionary Spending

Decisions about discretionary spending for disaster relief, national defense, and other purposes can also be affected.

Climate Change

Climate change results in higher average temperatures, rising sea levels, and more frequent severe storms.

Output

The net effects of climate change reduce economic output by lowering the average productivity of outdoor workers and agricultural land and by damaging physical capital and infrastructure.

Revenues

That decline in economic output leads to a corresponding drop in income and to reduced revenues from income and payroll taxes.

Mandatory Spending

Mandatory spending increases, for example, when rising storm damage boosts flood insurance claims or rising rates of illness increase healthcare costs. It declines when higher mortality rates reduce participation in Social Security and Medicare.

