Local Funding Options for Flood Resilience

Flooding is the most common and costly disaster in the United States: a flood event occurs nearly every day, collectively causing an estimated $148 billion to $496 billion in annual damages and economic disruption. Investing in flood risk reduction is essential to lowering these costs, protecting lives and infrastructure, and strengthening long-term resilience.

Communities can use local, state, and federal funding to invest in risk reduction. The availability and timing of state and federal funding can fluctuate. By diversifying local revenue sources, local governments can take a more proactive role in reducing risk while securing flexible, predictable funding for ongoing operations and administration.

This guide helps local leaders identify and implement local revenue strategies that can be combined and sustained over time.

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Funding Mechanisms for Flood Resilience

Sales Taxes	**Property Taxes**
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Special Assessments & Districts	**Fees & Utility Charges**
Pooling Resources & Joint Agreements	**Revolving Loan Fund**

Endorsed by the Association of State Floodplain Managers, SBP, and FloodWise Community Assistance, a program of Headwaters Economics.

ASSOCIATION OF STATE FLOODPLAIN MANAGERS

SBP

FLOOD WISE | COMMUNITY ASSISTANCE

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Tips for Local Funding for Flood Resilience

Flooding is a top concern in many communities and requires careful planning and clear communication. Successful funding measures pair sound policy design with early engagement, legal due diligence, and clear, disciplined messaging:

Pre-Conditions & Readiness

These prerequisites apply to all successful funding measures.

- **Understand Legal Constraints:** Ensure new funding measures have clear statutory authority, defensible ballot or program language, and a well-documented public purpose. Understand local and state laws governing local ballot measures.
- **Confirm capacity and readiness:** Make sure the government entity has the staff, implementation systems, and funding needed to administer the revenue stream, manage projects, and deliver visible results.
- **Engage the right partners:** Identify local champions, coordinate with local elected officials, and seek assistance from political analysts and/or campaigners, implementers, media, and legal teams.

Funding Design & Strategy

- **Use a wide lens:** Flooding can intersect with a range of community issues, from housing to infrastructure, tourism, insurance, water quality, and public safety. An expansive view flood resilience should be incorporated into community goals and funding.
- **Leverage and layer funding:** Demonstrate how local funding can unlock and leverage state, federal, and private funds to maximize impact, and how multiple local tools can work together.
- **Design for fairness and feasibility:** Ensure costs and benefits are distributed equitably, avoid unintended affordability impacts, and assess how the measure interacts with existing taxes and fees.

The State and Regional Role in Flood Mitigation

Flood risk rarely follows jurisdictional boundaries. Regional or watershed-scale coordination can make mitigation efforts more efficient and effective. Research consistently shows that regional partnerships, such as planning commissions, conservation districts, and watershed authorities, can better align infrastructure investments, leverage funding, and address upstream and downstream flood risks more comprehensively than local efforts alone. States play a critical role by providing funding, technical assistance, and policies that support collaboration across communities.

Engagement & Accountability

- **Build broad support & address opposition directly:** Engage residents, businesses, and local groups early and often. Identify groups likely to oppose new taxes or fees, understand the basis of their concerns, and tailor strategies to address those concerns.
- **Considerations for messaging:** Use plain and consistent messaging that explains concrete local costs and benefits (not abstract risk), addresses affordability concerns, and emphasizes why proactive investment is preferable to post-disaster response.
- **Ensure accountability and trust:** Set clear goals, track progress, and report publicly to maintain confidence.

Get Help:

Headwaters Economics' FloodWise Community Assistance is a free technical assistance program to decrease flood risk and strengthen communities: https://floodwise.headwaterseconomics.org/

SBP Disaster Resilience Fellows program connects small, at-risk communities with recovery professionals to build disaster resilience: https://www.sbpusa.org/recovery-and-resilience-fellows/

The Association of State Floodplain Managers offers support and resources for sound floodplain management, science, and policy: https://www.floods.org/

Local Revenue Strategies for Flood Resilience

This table summarizes common funding mechanisms local governments can use (depending on legal authorities) to raise dedicated or supplemental revenue for flood resilience. These tools can complement investments from a community's general operating budget and can be layered together or used alone. The table highlights typical applications, advantages, and tradeoffs to help local leaders compare options and identify approaches that align with their community's goals, capacity, and political context.

Mechanism	Description	Example Use Case	Advantages	Tradeoffs
Sales Taxes **(Local Option, Dedicated)**	Raises revenue from taxable transactions and can be structured as general or designated funds for flood mitigation.	New revenue from sales tax used to fund flood infrastructure, such as upsizing culverts.	Broad tax base and commonly used. Paid by residents and visitors. Clear link between tax and a visible service. Ongoing revenue that is useful for funding operations and long-term programs.	Regressive without exemptions or adjustment. Can be volatile. May not be politically feasible in some contexts; in others, will be preferred over an increase in property tax. Note: some states don't allow sales taxes.
Property Taxes **(e.g., Parcel Tax, Mill Levy)**	A tax levied on the assessed value of real property. Can be an increase in the general mill levy or a flat fee based on property characteristics.	A parcel tax calculated by square footage or acreage on homes and businesses used to fund mitigation programs.	Stable, predictable revenue as property values tend to be less volatile. Ongoing revenue that is useful for funding operations and long-term programs.	Highly visible, can be unpopular, and often constrained by statutory limits or voter approval thresholds. Increases in property tax may exacerbate housing unaffordability.
Special Assessments & Districts **(TIFs, Tourism Improvement Districts)**	Fees on properties within designated areas, typically used to fund infrastructure improvements. Assessments are often based on the estimated benefit to the property rather than just market value.	A special assessment is defined for a high-risk neighborhood, and the fees collected support mitigation in that neighborhood.	Enables large-scale, immediate investment in infrastructure or land management. Can be targeted to high-risk areas so those who benefit are those who pay.	Complex to design and administer due to legal compliance, targeted communication needs, and management.
Fees & Utility Charges	A charge imposed on users of a service that can be dedicated towards funding mitigation projects or maintenance.	A stormwater utility fee that is dedicated to improving and maintaining stormwater infrastructure to decrease urban flooding or reduce post-wildfire flooding.	Revenue is generated from those who benefit. Often can be done administratively and does not require voter approval. Fee can include annual cost-of-living or inflation adjustments. Ongoing revenue that is useful for funding operations.	Potential to be regressive. Must be closely tied to the services provided or can be targeted for litigation. Can be hard to raise enough revenue.
Bonds & Loans	Debt that allows local governments to finance upfront costs and repay over time using general or dedicated revenues.	Bonds issued to fund large-scale infrastructure, community evacuation planning, or mitigation projects.	Provides a large sum of money upfront for high-cost, high-impact projects. Spreads the cost out over time.	Requires reliable repayment sources. One-time revenue is not suitable for ongoing operations and maintenance costs. Municipalities with lower credit ratings pay more due to higher interest rates.
Negotiated Agreements **(development or community benefits agreements)**	A legally binding contract negotiated between a private developer and a government (development agreement) or a community coalition (community benefits agreement). Can include funding for specific amenities, infrastructure, or workforce development in exchange for support of the project.	A large developer of a data center or resort makes a commitment to fund an endowment fund that can be used for flood mitigation.	Can secure funding without raising taxes and aligns private development with community goals. Funds are flexible. Promotes stakeholder collaboration and goodwill.	Works best with large-scale projects. Negotiations can be lengthy, contentious, and expensive. Likely requires legal assistance. Success is dependent on development activity, negotiation capacity, and enforcement mechanisms.
Revolving Loan Fund	Created with an upfront, one-time investment (from private donations, grants, or bonds), a revolving loan program sustains itself by making new loans only after previous borrowers have repaid their loans (principal and interest). Can be useful to partner with financial institutions, like a CDFI or community foundation.	A countywide revolving loan program provides low-interest loans to homeowners to invest in home floodproofing (e.g. elevating utilities, installing flood-resistant insulation, replacing concrete driveways with permeable pavers, etc.).	Flexible funding and self-replenishing to support capitol expenses, such as infrastructure. Better suited to smaller investments, such as household or business improvements. Can unite partners for flood mitigation.	Complex to administer and requires careful management of risk to avoid loan defaults. Funds created with government grants may have complex, strict regulations and reporting requirements.
Pooling Resources & Joint Agreements	Jointly funding staff, services, or projects through revenue sharing, intergovernmental agreements, regional authorities, or other partnerships.	An intergovernmental agreement between a city, county, and public utility to fund a watershed coordinator to support grant writing, planning, and regional mitigation projects.	Pooling resources can reduce costs, improve technical capacity, create administrative efficiencies, and better address risks that cross jurisdictional boundaries. This approach is useful for lower-capacity communities that may struggle to do projects on their own.	Partnerships require coordination, governance agreements, and consensus on funding responsibilities, priorities, staffing, and long-term decision-making.

Community Examples

Austin, Minnesota — Sales Tax

Austin, MN (~25,000 residents) approved a 20-year, ½-cent local option sales tax in 2007, generating $1.4 million annually for flood mitigation. Revenues helped fund a floodwall and a property acquisition program. The dedicated local funding was also leveraged as the local match for state and federal grants.

Aerial view of Austin, MN, 2023, Image by Wikideas1, Wikimedia Commons

Tulsa, Oklahoma — Fees & Utility Charges

Tulsa, OK (~400,000 residents) funds flood mitigation through a stormwater utility fee that supports its Streets and Stormwater Department. Residents pay about $8.35 per month (2020), providing a stable, dedicated revenue source for drainage infrastructure and maintenance. Public education helped build support by emphasizing safety, reliability, and long-term cost savings.

Orem, Utah — Fees & Utility Charges

Orem, Utah (pop. ~97,000) proactively established a storm sewer fee in 1996, before regulations required it. The fee funds stormwater operations and capital improvements, targeting water quality, regulatory compliance, flood prevention, and infrastructure maintenance. It now generates over $6 million annually, dedicated entirely to the stormwater program.

Harris County, Texas — Bonds & Loans

Harris County, TX (~4.7 million residents) approved a $2.5 billion bond in 2018 to accelerate flood mitigation projects following Hurricane Harvey. Bond proceeds are combined with local tax revenues and leveraged to secure state and federal funds, supporting large-scale investments such as detention basins, channel improvements, and voluntary home buyouts across the county.

Milwaukee Metropolitan Sewerage District (MMSD) — Special Assessments & Districts

MMSD serves 1.5 million residents across 29 communities and invests in flood mitigation to reduce costly sewer overflows, protect drinking water, and avoid higher downstream infrastructure costs. MMSD funds watershed-scale green infrastructure through property taxes, municipal bonds, state revolving loans, and grants, using regional coordination and partnerships to accelerate implementation.

Kiawah Island, South Carolina — Special Assessments & Districts

In 2020, residents of the Kiawah Island Community Association approved a 5-year special assessment to fund six flood mitigation projects focused on improving drainage and protecting major roads from flooding. The assessment raised $2.9 million. Property owners paid $130 annually for improved parcels and $65 for unimproved parcels.

Dodge County, Nebraska — Pooling Resources & Joint Agreements

After devastating 2019 floods, Dodge County, NE (~37,000 residents) formed a joint water management board through an interlocal agreement to coordinate flood recovery and mitigation. Multiple jurisdictions and drainage districts pooled funding and technical capacity, with larger entities contributing more resources, enabling smaller, low-capacity districts to participate in regional flood resilience projects.

Aerial view of Fremont, Nebraska in June 2017, Image by Pi.1415926535, Wikimedia Commons

Colorado Springs, Colorado & Pueblo County — Pooling Resources & Joint Agreements

The City of Colorado Springs, Colorado Springs Utilities, and Pueblo County entered into an intergovernmental agreement to jointly invest $460 million in stormwater control, detention ponds, and stream stabilization projects to address increased flash floods, erosion, and sedimentation issues caused by the 2012 Waldo Canyon Fire.