September 28, 2023

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551

Dear Chair Powell,

We, the undersigned, represent teachers from across the United States and are writing to you to urge the Federal Reserve to take quick and decisive action to reign in U.S. banks' continued financing of fossil fuel expansion before another economic crisis unfolds.

As educators, we are extremely concerned that the Federal Reserve is ignoring climate risks and withholding immediate action to rein in U.S. banks—the largest funders of fossil fuels globally, accounting for 28% ($187.2B) of global fossil fuel financing in 2022 alone1—leaving us and our students vulnerable to another financial crisis.

Financial instability threatens steady funding streams for public institutions. Boom-bust cycles in the financial system hurt students and cause instability in school operations, which is of particular concern right now as the nation faces a severe shortage in teachers.2 In 2008, Wall Street banks' excessive risk taking with the subprime mortgages led to a financial crisis that depleted our pensions, and resulted in sharp declines in state and local tax revenues that support public schools, leaving teachers with fewer resources in the classroom. To date, schools have yet to recoup their financial losses from the last recession.3 And now, we are at risk of repeating the same cycle, except this time the risks stem from climate-driven disasters and banks' excessive financing of fossil fuels — the number one driver of climate change.

Climate-driven disasters are already disrupting our lives and those of our students and their families and guardians. This summer marked some of the hottest days ever recorded forcing schools in several states to cancel classes or send students home.4 Schools in California with little green space, for example, are seeing their asphalt playgrounds heat to dangerous levels, leaving students at risk from thermal burns, and posing a major safety and health concern.5 A study has shown that students in schools in areas with high temperatures without air conditioning have worse learning outcomes based on results for tests such as PSAT.6 What's more, not only does extreme heat have financial, safety, and health implications for schools

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1 https://www.bankingonclimatechaos.org/
3 https://www.ppic.org/publication/funding-california-schools-when-budgets-fall-short/
6 https://www.nber.org/digest/aug18/hotter-school-days-less-learning-unless theres-ac

The economic ramifications of climate-driven extreme weather and their acute physical risks are growing, and exacting a huge toll on our economy.\footnote{https://www.ncei.noaa.gov/access/billions/summary-stats#temporal-comparison-stats} This is a major concern for our financial stability and has wide implications for our schools, ranging from negative impacts on student learning, students and teachers’ ability to safely commute to and from schools, to damaging school facilities, disrupting district budgets, threatening our ability to save for retirement, and more.\footnote{https://lao.ca.gov/Publications/Report/4586#} These disasters are also destroying our homes, increasing the cost of insurance, — causing many insurance companies to fail, pull back on coverage or flee in many parts of the country\footnote{https://www.ajot.com/insights/full/ai-panama-canals-low-water-delays-could-last-10-months-impacting-u.s-gulf-east-coast-ports} — battering and forcing closures of school buildings, and at times leading to the loss of human life, all of which negatively impacts students’ and educators’ overall mental health and well-being.\footnote{https://www.bettermarkets.org/wp-content/uploads/2023/08/BetterMarkets_Report_Unseen_Banking_Crisis_Behind_Climate_Crisis_08-23-2023.pdf}

Banks and non-banks like asset managers, private equity firms and insurance companies that are financing the fossil fuel industry—the sector most responsible for fuelling climate risks—are threatening the stability of our financial system and our entire economy. Despite these known risks, at the 2023 Jackson Hole Economic Symposium—where the topic was "Structural Shifts in the Global Economy"— the Federal Reserve did not even mention climate-related financial risks. European Central Bank President, Christine Lagarde, was the \textit{only} speaker to mention the risks of climate change.\footnote{https://www.nber.org/digest/aug18/hotter-school-days-less-learning-unless-theres-ac} The Federal Reserve is falling behind its global counterparts, leaving the U.S. financial system, the global economy, and, thus, teacher and public pensions at severe risk.

Furthermore, it appears that neither financial institutions nor the Federal Reserve are taking the risks of fossil fuels and climate change seriously even as it increasingly drives inflationary pressure and disrupts economic supply chains.\footnote{https://www.econweekly.com/article/2023082577711105fe} Under its mandate and within its authorities, the Federal Reserve can and must do more to protect the stability of our financial system, to protect both educators and students.

We urge the Federal Reserve to address climate financial risks at the Town Hall with Educators on September 28, 2023 by addressing the following questions:

\footnote{https://www.nature.com/articles/s44220-023-00059-3}
- Why aren't you protecting us and our economy by taking proactive action to rein in banks' fossil fuel expansion financing?
- Why aren't you taking action to address the risks small to mid-sized banks are facing from climate change and the financing of fossil fuels?
- Why aren't you taking steps to protect our students’ economic futures by reining in fossil fuel expansion financing which contributes to climate change and financial instability?
- Are you taking any steps to understand how more frequent and severe climate-related disasters and chronic weather patterns are now and will in the future impact the price of everyday goods and drive inflation?

The Federal Reserve must act to mitigate climate financial risks to protect our students and their education and futures, to protect teachers and their path to retirement, and to protect the overall safety and soundness of the U.S. financial system.

We look forward to your response.

Sincerely,

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