

JULY 2025

# BRIDGING THE CLIMATE FUNDING GAP

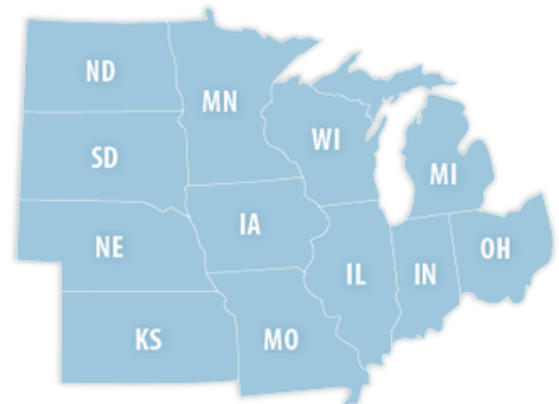
OPPORTUNITIES FOR  
PRIVATE IMPACT

MIDWEST  
CLIMATE  
COLLABORATIVE

Prepared by the  
Midwest Climate Collaborative

# MIDWEST CLIMATE COLLABORATIVE

The Midwest Climate Collaborative (MCC) is accelerating climate action across our 12-state region by connecting and mobilizing across communities and sectors for a carbon neutral, climate resilient, interconnected Midwest region.



## ABOUT THIS REPORT

This report summarizes the urgent funding needs and broader concerns of Midwest organizations facing shifts in federal climate funding. The MCC has been hosting weekly calls since May 2023 with leaders from nonprofits, local and state governments, Tribes, higher education, and businesses about leveraging federal funds for equitable climate mitigation and resilience efforts. Recognizing the growing uncertainty highlighted in our ongoing Federal Funding Friday conversations since January 2025, the MCC undertook this effort to proactively understand and address the potential and very real impacts on vital climate-related projects within our region.

Driven by the belief that a proactive, collective approach is essential to building resilient climate action, the MCC engaged its membership and the broader community to gather firsthand insights into the challenges and potential solutions moving forward through an online survey. Data for this report was collected from 85 respondents representing a diverse range of stakeholders, including local governments, Tribes, nonprofits, and higher education institutions and businesses and finance institutions working with communities from across our 12-state region. (See Appendix I for more details.)

This report, informed by the experiences shared, aims to clearly illustrate immediate funding gaps and wider impacts to equip funders and financial institutions with the understanding needed to effectively support climate projects in the Midwest. Furthermore, this work supports our mission to develop resources and strategies to enhance the "funder-readiness" of local organizations and connect them with diverse funding opportunities, ensuring the continued advancement of climate action in our region.

# BRIDGING THE CLIMATE FUNDING GAP: A SNAPSHOT

MIDWEST  
CLIMATE  
COLLABORATIVE

## SHORT TERM IMPACTS

- INABILITY TO COVER PAYROLL FOR GRANT-FUNDED STAFF
- INSUFFICIENT FUNDS TO SETTLE OUTSTANDING BILLS CRUCIAL FOR PROJECT CONTINUATION
- RISK TO FUNDING FOR ESSENTIAL OPERATIONAL EXPENSES LIKE RENT & UTILITIES

## LONG TERM RIPPLE EFFECTS

- EROSION OF TRUST & COLLABORATION
- SETBACKS IN PROGRESS & MOMENTUM
- DISPROPORTIONATE IMPACTS & EQUITY CONCERNS
- ECONOMIC AND WORKFORCE INSTABILITY
- SHIFTING LANDSCAPE AND UNCERTAINTY IN RELATED PUBLIC AGENCIES AND FUNDING

## RECOMMENDATIONS FOR FUNDERS

PROVIDE FLEXIBLE AND RESPONSIVE FUNDING TO MAINTAIN CORE CAPACITY & COMPLETE STALLED PROJECTS

INVEST IN INITIATIVES THAT REBUILD TRUST, FOSTER CONTINUED COLLABORATION, AND SUPPORT FUNDING DIVERSIFICATION

PRIORITIZE EQUITABLE, LONG-TERM CLIMATE SOLUTIONS BY DIRECTLY SUPPORTING ENVIRONMENTAL JUSTICE COMMUNITIES

# CRITICAL SHORT-TERM FUNDING GAPS

Organizations across the region are facing immediate and critical short-term funding gaps that jeopardize their core operations and ongoing climate projects. A primary concern is the **ability to cover payroll** and benefits for federally funded positions, with the abrupt termination of grants already leading to **layoffs and the loss of essential staff**. This instability extends to frozen project work and contracts, as organizations are **reluctant to incur expenses without assurance of payment**, leading to **delayed project implementation** and a **significant loss of momentum**.

In some cases, a federal grant requires work to continue to remain in compliance even though funds have not been released.

Beyond direct project costs, the loss of federal funding also means a **critical loss of indirect and overhead costs**, which supports general operating expenses like rent and utilities. This forces organizations to make impossible choices, with core functions and staff retention at risk.

To understand immediate financial vulnerabilities, the survey asked, *"What are your critical short-term funding gaps? (For example, what bills are coming due and threaten the success of your project or goals if not paid?)"*. Responses primarily centered on;

- THE NEED TO COVER PAYROLL FOR GRANT-FUNDED STAFF
- SETTLE OUTSTANDING BILLS CRUCIAL FOR PROJECT CONTINUATION
- ENSURE FUNDING FOR ESSENTIAL OPERATIONAL EXPENSES LIKE RENT AND UTILITIES.

# BROADER IMMEDIATE IMPACTS & CONCERNS

The shifting landscape of federal funding is generating significant broader impacts, most notably in the **erosion of trust and established partnerships with community-based organizations (CBOs)**, as abrupt terminations and pervasive uncertainty jeopardize crucial collaborations. For the last few years, small nonprofits and under-resourced local government offices have stretched themselves to apply for and implement federal funds. They have formed new partnerships and relationships they can no longer maintain because of budget cuts.

Furthermore, funding pauses are **preventing the hiring of necessary personnel** for grant-related positions, directly **hindering project capacity and progress**. For some organizations, current climate-related work, entirely dependent on grant funding, has come to a standstill, with directives to cease incurring further expenses.

The lack of funding also **impacts vital volunteer programs, limiting the ability to provide stipends, vouchers, and transportation that support community engagement**. Even **access to professional development is restricted**, as federally funded fellows face frozen travel, hindering their participation in essential conferences and networking opportunities.

Beyond direct project impacts, organizations report an **increased administrative burden as they dedicate more time to defending existing funding rather than advancing their core missions**. The uncertainty also **threatens investments in essential environmental monitoring infrastructure** and **exacerbates existing staff workloads** as they absorb responsibilities due to hiring freezes.

Finally, the instability creates significant uncertainty for individuals attempting to launch new environmentally focused businesses, further **hindering innovation and progress in the sector**.

# LONG-TERM RIPPLE EFFECTS

Beyond immediate funding shortfalls, the survey sought to understand the broader implications of current events by asking, *"What are the ripple effects of current events that give you the greatest concern?"* The responses detailed below outline the most pressing worries identified by organizations across the region.

**EROSION OF TRUST & COLLABORATION**

**SETBACKS IN PROGRESS AND MOMENTUM**

**DISPROPORTIONATE IMPACTS & EQUITY CONCERNS**

**ECONOMIC AND WORKFORCE INSTABILITY**

**SHIFTING LANDSCAPE AND UNCERTAINTY**

## **EROSION OF TRUST & COLLABORATION**

Across sectors, respondents expressed fear of using climate related language for fear of jeopardizing funding. Organizations are also losing faith in the reliability of grant funding, which could lead to fewer projects being initiated and completed, and may make it more difficult to enter into contracts with third-parties. Terminated grants are damaging established partnerships, limiting the ability of collaborators to fulfill existing commitments within communities.

## **SETBACKS IN PROGRESS AND MOMENTUM**

Current events are halting progress on climate initiatives, causing deep concern. Communities are frustrated by the loss of hard-won achievements. There's worry about how hard it will be to restart these efforts if funding changes again, and smaller communities fear missing out on future chances because they won't be ready. Many feel recent events have pushed efforts back by generations. This uncertainty is also stopping people from even thinking about clean energy projects, slowing down their widespread use. There's a real concern that we're going backwards, focusing only on the cheapest options instead of what's best for people and the environment.

## **DISPROPORTIONATE IMPACTS AND EQUITY CONCERNS**

The shift in federal climate funding poses significant and disproportionate impacts, particularly for vulnerable communities. Rural areas anticipate fewer resources and reduced trust, exacerbating existing challenges. Crucial work supporting environmental justice and underserved communities is directly threatened, leaving organizations uncertain how to continue their vital efforts as their target populations face marginalization. Furthermore, funding cuts are leading to the loss of essential community programs, creating wider gaps in services, and reducing support for public resources like libraries, which are critical for energy transition and access to information. Underlying these concerns are broader worries about threats to democratic processes and rights, as marginalized groups face a lessening of their protections and participation.

## **ECONOMIC & WORKFORCE INSTABILITY**

Organizations now face the difficult decision of laying off staff previously funded by grants, directly impacting their ability to retain skilled employees and deliver on promised work. This is seen as penalizing local entities that have already invested substantial effort, jeopardizing established jobs and economic benefits. Broader concerns extend to the renewable energy sector, with worries about the stability of green banks and the potentially crippling effect of tax credit and direct pay reversals on solar projects. Furthermore, there is apprehension that the reduced focus on federal climate initiatives could lead to a drying up of corporate ESG programs, further diminishing private sector support for environmental and social goals. Workforce planning takes time and the current uncertainty will ultimately leave many people and projects unprepared due to delays in investment, training, and skill-building.

## **SHIFTING LANDSCAPE & UNCERTAINTY**

The evolving funding landscape is creating a pervasive sense of uncertainty and instability. Businesses face a changing regulatory environment, making long-term planning difficult. Nonprofits anticipate fierce competition for limited foundation grants as federal sources dwindle, particularly in regions where local climate funding is already scarce. This also raises significant worries about the long-term sustainability of current programs. An alarming trend shows government offices increasingly avoiding discussions on equity and the environment, suggesting a future surge in unmet needs and potential conflict. The future role of local governments in addressing these challenges is also unclear. Underlying these concerns is the profound fear of irreversible environmental damage and the risk that industries, like mining, could exploit this period of reduced oversight to pursue projects that harm sensitive ecological areas.



# RECOMMENDATIONS FOR FUNDERS & FINANCIAL INSTITUTIONS

## PROVIDE FLEXIBLE & RESPONSIVE FUNDING

- **Offer General Operating Support:** Move beyond project-specific grants to provide unrestricted funding that allows organizations to cover essential payroll, benefits, and indirect costs (rent, utilities) – the backbone of their operations. This flexibility is critical for retaining skilled staff and adapting to sudden shifts in federal priorities.
- **Establish Rapid Response & Bridge Funds:** Create easily accessible funds for urgent, short-term needs, such as covering payroll during federal grant freezes or addressing immediate operational gaps. Prioritize streamlined application and disbursement processes to ensure funds arrive when they are most needed. Also consider funds for organizations to host community information sessions to maintain communication and trust.
- **Support Project Completion and Stability:** Provide targeted grants to finish projects jeopardized by federal funding cuts, preventing wasted investment and lost momentum. Consider mechanisms that assure payment for work performed, mitigating the reluctance to proceed with crucial initiatives. *The MCC has mapped all of the submitted proposals for the Climate Pollution Reduction Grant, providing a list of projects that communities have already invested in.* Completed projects prove economic savings, health impacts, and environmental benefits. They inspire more projects and boost morale.

## REBUILD AND FOSTER TRUST AND COLLABORATION

- **Invest in Partnership-Building:** Fund initiatives specifically designed to strengthen and repair damaged trust between organizations and community-based partners (CBOs), recognizing that the abrupt nature of federal funding changes has strained these relationships.
- **Promote Transparent and Predictable Funding Cycles:** Where possible, communicate clear, multi-year funding commitments to provide stability and reduce the administrative burden on organizations constantly seeking new sources of support.
- **Encourage Climate-Inclusive Language:** Actively signal that funding is available for climate-related work, counteracting the "chilling effect" that discourages organizations from using climate language in their proposals, even at the local government level.
- **Support Capacity Building for Funding Diversification:** Provide grants and technical assistance to help organizations develop robust, diversified fundraising strategies beyond federal sources, reducing over-reliance on a single stream and fostering long-term resilience.

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*I'm concerned about 'missing the boat' twice. If the funding changes again with a future administration, I'm worried smaller and less resourced communities won't be ready again...*

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*The attack on DEI, EJ, underserved communities, etc. is concerning. These are all the areas of our work, I don't know how/where to pivot if every area of the community served is targeted for exclusion by the new administration.*

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## PRIORITIZE EQUITY AND LONG-TERM IMPACT

- **Direct Support to Environmental Justice and Underserved Communities:** Allocate significant funding to organizations working directly with rural, Black, economically burdened, and other marginalized communities. These groups are disproportionately impacted by environmental unpredictability and federal funding shifts, and their core work (e.g., DEI initiatives) is under direct threat.
- **Invest in Long-Term Sustainability and Infrastructure:** Fund initiatives that support critical environmental monitoring infrastructure and long-term climate solutions that transcend short-term political cycles. This includes supporting clean energy transitions in public institutions like libraries, often overlooked for such investments.
- **Catalyze Innovative Financial Models:** Explore and invest in creative financing mechanisms, such as impact investing and partnerships with green banks, to mobilize private capital and provide stable, predictable funding streams for climate action. Tap into project-related investments (PRIs) and corporate sponsorships. These funds are particularly vital given the potential for tax credit and direct pay reversals impacting clean energy projects.
- **Support Policy Advocacy and Democratic Engagement:** Fund organizations engaged in advocating for robust climate policies and protecting democratic processes, recognizing that broader systemic issues underpin the current funding uncertainty and the vulnerability of marginalized groups.

# THANK YOU

The findings of this report paint a clear and urgent picture: the shifting federal funding landscape is creating immediate operational crises, eroding trust, and jeopardizing critical climate progress across the Midwest. Organizations are grappling with payroll shortfalls, stalled projects, and the disproportionate impact on vulnerable communities, while facing a daunting array of ripple effects that threaten to undo years of dedicated work. Now more than ever, the resilience of our region's climate initiatives depends on proactive and diversified support. We urge foundations, corporations, and financial institutions to act decisively. By adopting the recommendations outlined in this report—prioritizing flexible funding, rebuilding trust, and investing equitably in long-term solutions—you can provide the essential stability needed for communities to continue their vital climate work.

Thank you for your willingness to learn what organizations in the Midwest region are experiencing during this challenging time and for stepping up to support the health and well-being of people and planet.

To learn more or be connected with a survey respondent or project partner, please contact us: [midwestclimatecollaborative@wustl.edu](mailto:midwestclimatecollaborative@wustl.edu).

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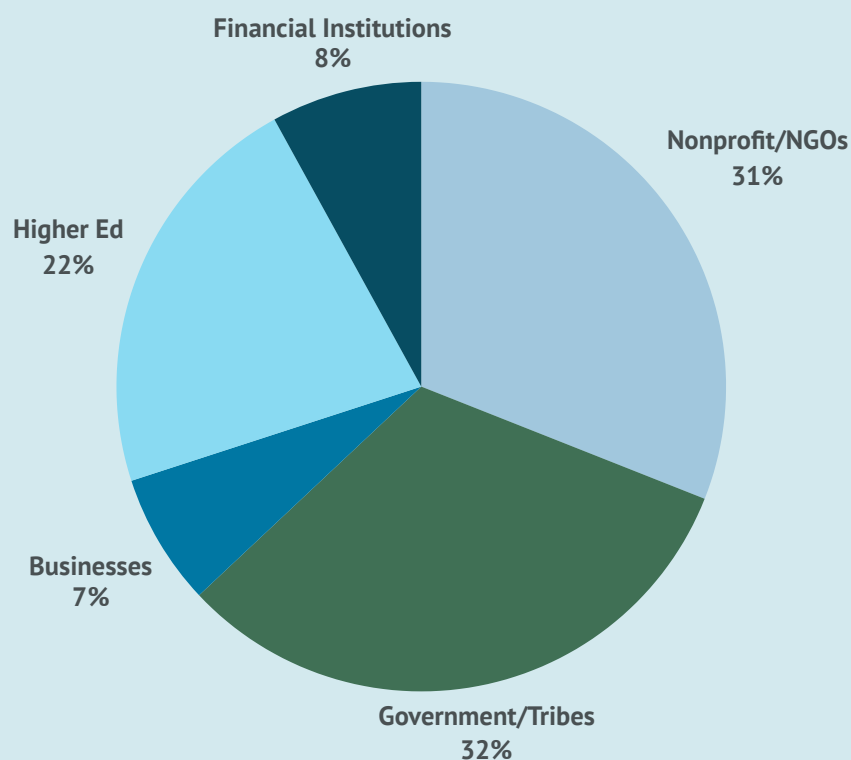
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## DATA SOURCES

Data for this report was collected from 85 respondents representing a diverse range of stakeholders, including local governments and Tribes, nonprofits, institutes of higher learning and businesses and financial institutions supporting residential and community based organizations from across our 12-state region. Data collected came from an online survey shared with our network as well as live polling during our weekly Federal Funding Friday call on March 21, 2025, and an MCC hosted workshop during the Growing Sustainable Communities in Dubuque, IA, April 1, 2025. We also collected information shared during the Midwest Climate Summit held in Madison, WI April 30-May 2, 2025.

Below is a sector breakdown of all respondents contributing to this report:



Due to the sensitive political climate and potential for retribution, many respondents requested anonymity for their responses. Funders interested in detailed insights from specific sectors are invited to contact us at [midwestclimateclimatecollaborative@wustl.edu](mailto:midwestclimateclimatecollaborative@wustl.edu).



# EXECUTIVE ORDER IMPACTS

As part of our effort to understand the impact of the shifting federal landscape, we asked respondents to indicate the extent to which recent executive orders have delayed or stopped their climate goals and projects. The results of this inquiry are presented in the bar chart below. The data below was collected on March 21, 2025 and April 1, 2025 from 70 people representing local governments and tribes, nonprofits organizations, institutes of higher learning and businesses and finance institutions supporting residential and community organizations.

