



## Stop \$50 Billion Blow-Up of DOE Loan Guarantee Program

February 2, 2009

Dear Senator,

Taxpayers for Common Sense Action urges you to oppose language included in the Senate Stimulus providing an additional \$50 billion in budget authority for the Department of Energy (DOE) Loan Guarantee program. The projects these loans would fund will not be constructed for years, failing to provide any economic stimulus. Regardless of your position on the bill, this is an egregious giveaway that does not pass the litmus test for stimulus legislation and blatantly jeopardizes billions of taxpayer dollars.

Created in the Energy Policy Act of 2005 to distribute loan guarantees to innovative energy technologies, the Department of Energy Loan Guarantee Program already has nearly \$40 billion in budget authority. Despite this existing authority being on the books since December 2007, DOE has yet to distribute a loan guarantee and has come under serious scrutiny by the Government Accountability Office (GAO) and others. The GAO found DOE lacked sufficient resources and internal structure to review and process loan guarantee applications, inadequate staffing and management, and an inability to track the program's effectiveness. They recommended Congress limit the program until proper safeguards were put in place.

Under the program, the federal government is required to cover up to 100 percent of the loan at up to 80 percent of the cost of the eligible energy projects, which the Department of Energy Inspector General stated will expose taxpayers to significant risk. If these entities default on their loans, the taxpayers will be forced to cover the costs. For nuclear reactors which currently have an \$18.5 billion cap and are eligible for the \$50 Billion expansion in the Senate stimulus the Congressional Budget Office (CBO) considers the risk of default to be well above 50 percent. Taxpayers could be on the hook for more than \$30 billion in losses if this language succeeds. That would be in addition to the nearly \$900 billion stimulus bill cost.

Additionally, the program is intended to be self financed through a "subsidy cost" or fee charged to applicants to cover the expense of the loan guarantees. Although there is difficulty in calculating such a fee, it does provide some taxpayer protection. However, rather than having the applicant pay this fee, the current Senate language appropriates funds for \$9.5 billion to cover these fees for renewable energy projects. Eliminating one of the only taxpayer protections currently in the program only further jeopardizes taxpayers and sets a dangerous precedent for all future applicants.

We've been down this road before. During the late 1970s and early 1980s, DOE haphazardly issued loan guarantees to jumpstart the synthetic fuels industry. It was a fiscal nightmare and taxpayers ended up covering the bill.

With DOE's poor track record, a clear lack of internal safeguards and structures and the eligibility of high risk of projects like nuclear reactors, Congress should not be considering an expansion of this non-stimulative loan guarantee program. Regardless of your position on the overall Stimulus, we urge you to protect taxpayer interests and stop this reckless expansion. If the Senate moves forward on such an egregious provision, the only guarantee is that taxpayers will be paying billions. To discuss this issue further please contact me or Autumn Hanna at (202) 546- 8500.

Sincerely,

Ryan Alexander  
President