



Congress Can't Afford to Fund Risky Loans Don't Extend DOE Loan Guarantee Program in CR

September 23, 2008

Dear Representative,

On behalf of our combined memberships, we urge you to oppose any time extensions for the Department of Energy (DOE) Loan Guarantee program's budget authority in the Continuing Resolution. At a time of bailouts and bulging deficits, the country cannot afford to risk billions of taxpayer dollars in a program that is not ready for prime time.

This July, the Government Accountability Office stated, "DOE is not well-positioned to manage the Loan Guarantee Program effectively and maintain accountability because it has not completed a number of management and internal control activities key to carrying out the program."

The federal government has already been down this path with DOE and paid the price. During the late 1970s and early 1980s the federal government issued loan guarantees to jumpstart the synthetic fuels industry. It was a fiscal nightmare and taxpayers ended up covering the \$15 billion bill. With the DOE's budget authority set at \$38.5 billion for the program, the synthetic fuels debacle could pale in comparison to this loan guarantee program.

This latest Department of Energy Loan Guarantee Program will cover 100 percent of the loan at up to 80 percent of the cost of the eligible energy projects. If these entities default on their loans, the taxpayers will be forced to cover the costs. The Congressional Budget Office (CBO) considers the risk of default on nuclear loan guarantees to be very high -- well above 50 percent. Additionally, the DOE Office of the Inspector General found that this program will "result in significant risk to the Government and therefore, the American taxpayer."

Given that these loan guarantees are slated for high default risk projects like nuclear reactors, and that the DOE program currently lacks necessary safeguards to ensure an effective program; the only guarantee these loans will make is that taxpayers will be paying billions. **Oppose any time extension for the loan guarantee program's budget authority in the Continuing Resolution.**

Sincerely,

Ryan Alexander
President
Taxpayers for Common Action

Duane Parde
President
National Taxpayers Union