



Problems with DOE Loan Guarantee Program Continue

Last week the Government Accountability Office (GAO) released a [new report](#) in a series of on-going analyses criticizing the Department of Energy's (DOE) [Loan Guarantee Program](#). The report finds that the program continues to experience fundamental flaws stemming from the lack of a consolidated system for monitoring loan applications. Such a system is critical to effectively manage the hundreds of applications received by the program and protect against "increasing the taxpayer's exposure to financial risk from an applicant's default," says the report.¹

Since its creation in 2005, congress has authorized [more than \\$54 billion](#) for the loan guarantee program; of this amount, \$30 billion in loan guarantees have been finalized or conditionally approved. Over the life of the program, the DOE loan programs office has received a total of 460 applications as a result of nine solicitations with an median requested loan amount of \$141 million—and a high of \$12 billion to support the development of a nuclear power plant.² Moreover, [nuclear loan applications](#) requested are by far the largest amount of funding requested by technology—totaling \$117 billion and a median loan guarantee amount of \$7 billion per application.³

Within the review process, the DOE is required to examine the "financial, technical, legal, and other qualifications" of a loan applicant. However, in 11 of the 13 loan applications analyzed by the GAO, the established DOE review process was not followed. To add insult to injury, the review process—based on a procedure manual from March 2009—is supposed to at a minimum be updated every year but the loan office has ignored this mandate.⁴ This flaw has potentially led "the [loan guarantee] program to issue guarantees to projects that pose an unacceptable risk of default."⁵

The report did make a few recommendations for the loan guarantee program:

- First, commit to a timetable to implement an efficient and effective system for documenting and tracking loan guarantee applications. Currently, the DOE is developing a system but there has been no word as to when it would be fully implemented.
- Second, regularly update the loan guarantee program's operating manual. Basing the review process off out-of-date procedures undoubtedly places taxpayer dollars at further risk, in what is already a risky program.

Since its creation in 2005, Taxpayers for Common Sense has warned that DOE's loan guarantee program is fundamentally flawed. The program is fiscally reckless, poorly managed, prone to serious failure, and continues to gamble with taxpayer dollars. With trillion dollar deficits and a \$15 trillion national debt, taxpayers can't afford to continue with a program that jeopardizes billions of dollars.

¹ U.S. Government Accountability Office, "DOE Loan Guarantees: Further Actions Are Needed to Improve Tracking and Review of Applications." March 2012. <http://www.gao.gov/assets/590/589210.pdf>

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.