

Opening Statement  
Rep. Paul Tonko, Ranking Member  
Subcommittee on Investigations and Oversight

November 30, 2011

Thank you Mr. Chairman.

Public investment in innovative technologies and infrastructure not only creates jobs, it lays the foundation for private sector job creation. The American Recovery and Reinvestment Act made a significant difference in stopping the precipitous loss of nearly 800,000 jobs per month that occurred prior to its enactment. Without the Recovery Act, millions more Americans would be facing unemployment and we would be months further behind in the admittedly sluggish economic recovery.

According to the Congressional Budget Office's August 2011 report, the Recovery Act increased real GDP by between .8 percent and 2.5 percent and it increased the number of full-time-equivalent jobs by between 1.4 million and 4.0 million compared to no Recovery Act effort for the 2nd quarter of Calendar Year 2011.

That is positive news, but the American economy is not out of danger yet. Economic growth is still weak and job creation is still far below what is required to provide employment for all who need a job. Recovery Act funding was significant, but it is not realistic to expect \$840 billion to compensate for the loss of over \$10 trillion in wealth we experienced at the end of 2008. Because of the huge disparity in these figures, it is imperative that Recovery Act dollars be spent efficiently and effectively. That is why we are here today.

I have several concerns about the Recovery Act funds, and I hope our witnesses can shed some light on these matters.

First, it looks as if too much of the money has still not been invested. Federal agencies have distributed it, yet it remains uncommitted by the recipients. We need to create at least 7 million jobs to get back to full employment. If these funds are not being spent, they cannot fuel the job creation we need. I am looking for a solution. I hope that our witnesses today have some advice about how to get that uncommitted money moving to create more jobs and to fuel a more robust level of economic growth.

Second, I worry about the size of public exposure in some of the loan programs that are operated at the Department of Energy. Grants and contracts that lead to direct expenditures carry with them risks limited by the value of the award -- risks that can be minimized through sound management by experienced staff, and DOE has a long history of managing grants and contracts.

In contrast, the Department of Energy's loan guarantee program is relatively new. Loan guarantees are for much greater amounts of money than an average grant or contract and therefore carry billions of dollars in risk. DOE's relative lack of experience with this authority and limited experience with assessing market conditions and commercial risks should increase our scrutiny of awards provided under this program. All investments carry some risks and we should be willing to take them where there is opportunity for significant benefits or advances, but the Department should do all it can to ensure these awards will result in successful outcomes.

While the press has focused on the loan to the solar company Solyndra, the fact is that other DOE loans may be just as risky. Particularly in the nuclear sector, taxpayers' financial exposure dwarfs that of the Solyndra loan. Just one of these nuclear energy loans is 16 times the size of the award made to Solyndra. Markets can shift against these mega-projects just as easily as they shifted against the far more modest solar project that went bankrupt. I hope that the Department is taking steps to reevaluate the size of their commitments in the loan guarantee program and the challenges that face those investments.

Finally, I look forward to hearing whether there are meaningful lessons about managing the public's money that should be applied to all Federal spending based on the experiences of the Recovery Act.

The effort to bring an unprecedented level of transparency to spending may suggest new expectations for all government funding in the future. We do not want to cripple agencies in their ability to make awards and manage them through burdensome requirements, nor do we want to discourage companies and individuals from working with the government. If we can build on the best of the Recovery Act's lessons, it would make our government more accountable and transparent to the public.

Mr. Chairman, I believe you have brought the right people before us to address these issues and I look forward to their testimony.