For GOP, Death of Manufacturing Loan Program Finally in Sight

Unspent money dating back years makes it an easy, yet still elusive, target

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Energy and Natural Resources Chairman Lisa Murkowski, R-Alaska, is no fan of the loan program for energy efficient vehicles. (Tom Williams/CQ Roll Call)

One way or another, the Energy Department's direct loan program for fuel-efficient car manufacturers looks destined for the chopping block.

Once viewed as a lifeline for Detroit's "Big Three" manufacturers facing economic headwinds even before the onset of the Great Recession, the program is now little more than a kitty of untapped funds appropriated a decade ago. The last major Advanced Technology Vehicles Manufacturing program loan was approved conditionally in 2015, but Arconic Inc., whose former parent Alcoa secured the loan to produce lightweight vehicle materials at its Tennessee plant, turned the money down last year.

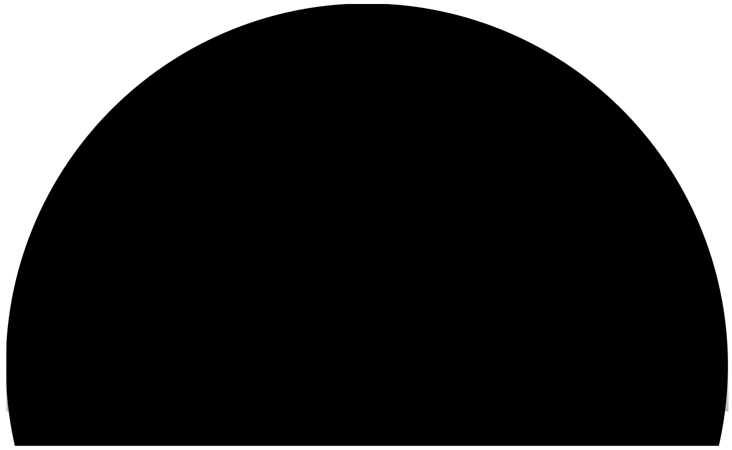
No new loans have closed since 2011, and with $4.33 billion sitting around unspent, the Trump administration wants to "rescind," or cancel, the vehicle loan funds permanently. The House is set to consider a measure that would drain the loan account and 37 other line items — $15.2 billion in all — likely next week. The path is trickier in the Senate; despite procedural protections expected to lower the vote threshold to a simple majority, few if any Democrats are expected to support the bill, and some Republicans are wavering as well.

For Senate Energy and Natural Resources Chairwoman Lisa Murkowski, lack of interest in new loans means there's no longer a need for the money. "I have said before that I don't have a problem with the rescission of the ATVM because you've got a program that hasn't done anything for seven years now. So for me, that makes sense," the Alaska Republican said late last week.

A problem for lawmakers, however, is that the unspent funds — provided as a "subsidy appropriation" in 2008 to cover the potential cost of anticipated defaults — represent a pool of money to offset other things.

Two of the original program's boosters, Michigan Democratic Sens. Debbie Stabenow and Gary Peters, sought to use some of the money in 2016 to clean up contaminated water supplies in Flint, Michigan. They successfully incorporated a bipartisan provision to pay for the costs by phasing out the loan program by Oct. 1, 2020, in an early version of that year's water resources authorization bill, though the offset was stripped before the measure became law.

Aides to Stabenow and Peters did not respond to requests for comment.



When a group of GOP senators in 2016 tried to attach the same phaseout provision, though without Flint funding, during amendment debate on the fiscal 2017 Energy-Water spending bill, the effort was defeated on a narrow 48-49 vote.

Five Republicans, including Murkowski, joined all Democrats save Claire McCaskill of Missouri to oppose the effort. Senate Energy-Water Appropriations Subcommittee Chairman Lamar Alexander, with the Alcoa loan pending, also opposed the GOP amendment at the time. His office did not respond to requests for comment.

Many Republicans have made no secret of their desire to cut the program, even if mainly to offset other spending. In 2011, Congress approved a stopgap funding bill that included $2.65 billion in emergency aid for various natural disasters that year. Initially, the House passed a version rescinding $1.5 billion from the vehicle loan program to cover much of that cost, but the offset was stripped in final House-Senate bargaining.

Just last year, House Republicans approved an initial fiscal 2018 omnibus bill in September that cut $1.97 billion from the loan program, in order to keep the measure within its nondefense appropriations cap for the year. That was up from $1.09 billion in the committee-reported version of the State-Foreign Operations bill, after Republicans came back from the August recess and decided that after a devastating hurricane season they didn't want to take $876 million from the Federal Emergency Management Agency's Disaster Relief Fund, as the initial Homeland Security title would have.

Bipartisan origins

The ATVM program was signed into law as part of a sweeping energy bill in late 2007 with headline provisions generating support from both sides of the aisle.

New vehicle fuel economy requirements and the modern iteration of the Renewable Fuel Standard biofuels mandate united progressive coastal Democrats and corn-state Republicans. There were energy efficient appliance and lighting standards, oil and gas tax breaks, and even a title devoted to pool and spa safety.

And yes, there was the infamous ATVM program, authorized to disburse up to $25 billion in direct loans to eligible beneficiaries. The measure passed the Democratic-controlled House and Senate, racking up big bipartisan margins, including half of the House Republicans voting that day in late December, and was signed by President George W. Bush.

The program wasn't funded, however, until the following year, when Congress appropriated $7.5 billion to cover possible costs, representing 30 percent of the outstanding principal that lawmakers thought loan recipients might be unable to pay back.

The program ultimately had its share of setbacks — out of a $529 million loan to Fisker Automotive in 2011, the Energy Department had to eat $139 million, and it took a $42 million loss on a $50 million loan to the Vehicle Production Group LLC the following year.

But three other loans have shown no signs of strain thus far, including a $5.9 billion loan extended to Ford Motor Co. that the carmaker is expected to pay off in about four years. Tesla may be having difficulties of late, but it paid back a $465 million ATVM loan nine years early in 2013. The estimated subsidy rate for the program, or the expectation of losses, had dropped to 3.4 percent by 2015, according to the Congressional Research Service, meaning that for every $100 in loans the government could expect to lose $3.40.

If no one wants the loans, why keep the money set aside? That’s the question many have been asking, including the nonpartisan Government Accountability Office, which has said since 2014 that “Congress may wish to consider rescinding all or part of the remaining $4.3 billion in credit subsidy appropriations.”

Everyone's a critic

Budget watchdog groups have largely praised the proposal to rescind the vehicle loan funds, even while noting its limited impact on the deficit — $100 million in actual savings over the next 11 years, according to the Congressional Budget Office.

"Given the ATVM program's inherent risky nature and poor track record, its demise is overdue and would prevent future losses to taxpayers," Taxpayers for Common Sense said in a statement. The group said the proposal "is low-hanging fruit that others have suggested for years, but it represents a good cut that would end a needlessly risky program."

Business organizations have largely kept quiet so far on the proposed ATVM rescission this year, even influential industry groups that have opposed similar efforts in the past.

For example, the U.S. Chamber of Commerce and the National Association of Manufacturers joined most Democrats in opposing the potential $1.5 billion cut in 2011.

It's unclear if support has waned now that the money has essentially been lying around unspent for years. Recently, some advocates have even called for expanding the program. Mitch Bainwol, president and CEO of the Alliance of Automobile Manufacturers, told the Senate Energy and Natural Resources Committee in 2016 that his group supports broadening the ATVM program to allow medium-

and heavy-duty truck
manufacturers to qualify for loans.

‘Directed scorekeeping’

Whether the loan funds could be used to lower the cost of spending bills later this year is an open question. The CBO generally won’t give lawmakers credit for offsetting regular discretionary spending with emergency-designated funds, as the ATVM funds were back in 2008.

In its cost estimate for the new rescission bill, the CBO noted specifically that the vehicle loan money, as well as $523 million in remaining budget authority for Title 17 “innovative technology” loans, can’t be used to offset regular appropriations for that reason.

A Senate GOP aide said that since emergency-designated funding doesn’t count going out the door, it should not count coming back in, noting the goal is to prevent gaming the appropriations process to increase capped spending.

But as the CBO also made clear in its score of the House-passed omnibus last September, when the Budget committees direct them to score a bill a certain way, they comply. As described by a person familiar with the process, House GOP appropriators approached the Budget Committee seeking flexibility to offset spending in the 12-bill spending package. House Budget Committee staff ran the idea by Senate Budget staff, and no objections were raised.

That led to House Budget staff directing CBO to incorporate the offset in its score. Though the

Budget committees are the official scorekeepers under budget law, the panels almost always accept CBO cost estimates. Nevertheless, CBO scores are ultimately advisory. The committees can and occasionally do modify or influence the scores.

The Budget panels rarely direct scoring, and when it takes place, it is typically part of a collaborative process where the committees in both chambers are in agreement. Nonetheless, last year's experience means that if appropriators are looking for a relatively uncontroversial offset during fiscal 2019 appropriations season, they have precedent to tap the ATVM program once again. Or if disaster strikes again this summer, the money would also be available without having to jump through scorekeeping hoops.

But first, the vehicle loan program would have to survive the latest rescissions process. And that is no guarantee at this point.

Jeremy Dillon contributed to this report.