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BEFORE THE  
Select Committee on Energy Independence & Global Warming  
Committee on Energy and Commerce  
United States House of Representatives

HEARING ON  
The Clean Energy Recovery: Creating Jobs, Building New Industries and Saving Money

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Good morning Chairman Markey, Ranking Member Sensenbrenner and Members of the Select Committee. I am Brian Johnson and I serve as Federal Affairs Manger handling energy and environmental tax and regulatory policy at Americans for Tax Reform. I appreciate the opportunity to appear before the Select Committee to discuss the effects of the Recovery Act on our economy with respect to non-traditional green job creation.

The Recovery Act and the growth of the renewable energy sector and green jobs are mutually exclusive. The \$787 billion stimulus package signed into law on February 17, 2009, ended up costing \$862 billion as reported by the Congressional Budget Office in January. It is important to understand that government spending of this magnitude cannot stimulate our economy. Every dollar the government spends attempting to force the market toward a specific sector is subject to taxation and must first be borrowed out of the economy. The result is a redistribution of existing purchasing power rather than the creation of new purchasing power. This spending unintentionally creates less economic activity than if the money had been left with capable private sector investors. Rather than using the hand of the government to tilt the playing field by forcing public investment in alternative energy projects, the removal of barriers to private investment would allow for more profitable and sustainable natural investment into these fields.

By pushing for government subsidies, which differ from targeted tax cuts, the environmental movement and so-called “green stimulus” is by definition anti-economic growth. Many environmental organizations and individuals admit that reducing economic growth in the United States leads to lower emissions. President Obama’s choice for chief science advisor even admitted a “massive campaign must be launched to restore a high-quality environment in North America and to de-develop the United States.” This is not to suggest that the individuals here today support such notions, however it is important to note that the concept of a “green stimulus” is a contradiction in terms.

The goal of the stimulus package was to create 3.6 million jobs according to the Administration’s own estimates. Since signed into law, we have lost 3.3 million jobs. The federal civilian workforce did manage to add 67,000 jobs, costing taxpayers \$271 billion. Not only were jobs not created in real districts, according to Recovery.gov there were 440 non-existing Congressional districts that saved or created jobs to the tune of \$225,000 per job.

With numbers like this it is no wonder only 6 percent of Americans think the stimulus package actually saved or created real jobs.

Additionally, any potential impact the recovery package brought to the economy was virtually negated by the mandated application of a market distorting law known as the Davis-Bacon Act. This Depression-era wage subsidy was enacted in 1931, when the federal government was the largest construction contractor, to prevent the government's own purchasing power from driving down wages. This is no longer the case and it now serves as an artificial inflator for union wages.

This wage determination is not a statistically random sample like the Bureau of Labor Statistics' unemployment or wage surveys and as such is extremely flawed and produces market distorting wage effects. Investigators from the Office of the Inspector General found that "one or more errors existed in 100 percent of the wage reports they reviewed." The Davis-Bacon Act artificially inflates wages, on average, by 22 percent nationwide and construction costs by almost 10 percent. Application of this wage law added \$17 billion to the Recovery Act in unnecessary inflated project costs and is impeding efficient implementation of the weatherization program.

A diverse national energy portfolio is crucial to economic health and stability. Such diversity, if economically sound, will occur naturally in the market without federal subsidies. Efforts by the government to pick winners and losers in the energy market almost always end up distorting the market. Green jobs will not reduce unemployment if they require significant government assistance. For example, wind and solar generated electricity currently enjoys subsidies almost 50 times higher per unit of energy output than traditional coal, and 100 times higher than natural gas. These subsidies take resources and jobs from other sectors of the economy.

The Institute for Energy Research has released a study about the "Green Jobs" program in Germany, and found that not only are these jobs costly, they are also unsustainable. Government subsidies for the solar industry have had a net cost since the year 2000 of \$73 billion and wind subsidies have cost \$28 billion. When compared to the US economy, which is five times the size of Germany's, we can see that it would cost us approximately half a trillion dollars. The government must pay an estimated \$240,000 for every solar employee. As soon as the government decides to cancel the dedicated stream of funding from which these jobs are derived, the jobs themselves vanish. In Spain, government subsidies for the wind and solar industry prevent 2.2 such jobs from being created in the private sector.

The scope of mismanagement of the Recovery Act not only encompasses wasted money in the United States, but much of the taxpayer money spent commanding the market toward green industries actually creates jobs overseas. 80 percent of the first \$1 billion spent on grants to wind energy companies went to foreign firms and jobs to build turbines overseas. In the second round of government grants, 79 percent of the \$2.1 billion in grants went to companies based overseas; of this money, \$2.9 billion go to wind facilities.

Energy Secretary Steven Chu said the point of this grant program was, "ensuring America leads the world in creating jobs in manufacturing the parts that go into wind farms." The Renewable Energy Policy Project, estimates that for every 1 megawatt of wind energy that is

developed, 4.3 jobs are created: 0.6 in operation and maintenance of the wind farms; .7 for the installation of new turbines; and 3 in manufacturing. The 1,219 turbines built by foreign-owned manufacturers have a potential capacity of 2,280 megawatts. Using the Renewable Energy Policy Project's estimate, the installation of these turbines may have created as many as 6,838 manufacturing jobs overseas.

Domestically, the market altering subsidization has the same negative economic effects. The Mojave Desert solar power project received \$1.4 billion from Recovery Act. Construction of that facility required 1,000 workers, but only 86 permanent employees to run the plant. That's \$16 million in government taxpayer subsidies per permanent job.

In Florida, the DeSoto Solar Center was supposed to be the "largest solar power plant in the United States," according to President Obama. The Center received \$150 million from the Recovery Act. After using 400 construction workers to build the site, the Solar Center now employs only two people.

The single largest wind grant under the program, reported by the Energy Department on Dec. 29, was \$178 million for the Texas Gulf Wind farm in Sarita, Texas. All 118 turbines erected on the farm were built by Mitsubishi – a Japanese firm that does not build wind components in the United States. Eurus Energy America, the U.S. subsidiary of a Japanese firm, received \$91 million in stimulus money for its Bull Creek wind farm in Texas. The farm consists of 180 Mitsubishi turbines – all constructed overseas.

Perhaps the most evident use of mismanagement of Recovery funds and inherent inefficiencies lie in the failed weatherization program. While some states have experienced success with this program, national results have been dismal.

The Recovery Act provided \$5 billion to weatherize homes in the hopes of making them more energy efficient by upgrading insulation, and most commonly adding insulated window treatments for 593,000 low income residents. ABC News reports that less than 10,000 homes have been weatherized nation-wide. Conversely, the Department of Energy claims 22,000 homes have been impacted – still less than 4 percent of the targeted goal.

Only \$522 million - less than 10 percent of the money available - has been spent on weatherization. The Inspector General found the jobs impact "has not materialized" and the Government Accountability Office found the application of costly Davis-Bacon wage requirements equates to over \$57,000 per home nationwide.

A state by state look exposes the localized impact of this flawed national program. New York has \$394 million available and planned to weatherize 45,400 units – but only did 280. Alaska was given \$18 million, Wyoming \$10 million, Rhode Island \$20 million and Washington, D.C. \$8 million to weatherize homes – to date, not one home in the 4 regions with over \$50 million spent have been weatherized.

The single biggest expenditure in the stimulus weatherization program is \$270 million. Not one penny of that went to actual home weatherization but was given to the Department of Energy to administer the grants.

The Recovery Act was supposed to be timely, effective and show immediate results. The realization is, using the invisible hand of the government to artificially tilt the economy towards non-traditional energy production and “green jobs” will never be sustainable. In doing so the government picks winners and losers in the market. Using targeted command-and-control legislation such as The Recovery Act, the losers are rewarded with government assistance.

Responsible public policy solutions should remove barriers to private investment and should support an “all of the above” energy approach, that incorporates a diverse blend of energy sources without raising taxes and/or increasing the regulatory burden.

Thank you again for the opportunity to speak to you today and I look forward to answering any questions.