



NEWS FRAUD BY THE NUMBERS

Will Fraud Bog Down Our Progress Toward a Green Future?

September 6, 2023 By Roger Wenthe of Roger Wenthe, PLLC

Climate change continues hurtling towards us nonstop, causing wildfires in Canada and Maui and record heat everywhere. But the federal government is pushing back. During the last two years, Congress and the President have passed three laws designed to boost infrastructure spending, bring chip manufacturing onshore, and hasten the transition to green energy sources. The laws are the Bipartisan Infrastructure Law (BIL), the CHIPS & Science Act (CSA), and the Inflation Reduction Act of 2022 (IRA).

These three laws provide for grants, loans, and tax incentives that, taken together, will result in **\$2 trillion** in federal spending over the next 10 years.

How much is \$2 trillion? It is enough to cover the entire budget of the Department of Defense for **a full year, plus the entire annual budget** of the Department of Homeland Security, **with enough left over to buy three brand-new aircraft carriers!**

These new laws provide for climate and infrastructure spending that will transform the U.S. economy into a green job-creating machine. Just a partial list of the investments they cover includes:

- Clean energy projects – **\$250 billion**
- Consumer incentives for electric vehicles, rooftop solar, home batteries, and more – **\$43 billion**
- Greenhouse gas reduction grants – **\$32 billion**

And yet, government spending has always **been accompanied by fraud**. The temptation to falsely apply for grants, loans, or tax incentives is greatest when the dollar amounts being spent are the largest.

How much of the \$2 trillion provided by these three new laws will be lost to fraud? It's impossible to say with certainty, because no one agency tracks the overall amount of fraud occurring in government programs. The Government Accounting Office (GAO) estimates the amount of "improper payments" made by each agency,

ranging from under 1% in losses for some programs, up to as high as 35.7% (for The Dept. of Education's Title I grants to local education agencies). But that estimate includes mistaken payments, fraud and abuse. Although we can't predict *how much* fraud there may be, we can illustrate how much even small percentages of fraud in this volume of government spending converts to massive losses for U.S. taxpayers.

- So, for example, if fraud taints only **1%** of the total of these incentives, that would still create **\$20 billion** in losses. That's enough money to install rooftop solar on 1,000 homes every day, for the next **24 months!**^[1]
- If, however, there is fraud in **5%** of the total payments, then the government's loss would be **\$100 billion**. That would pay for installing 100 new 3MW wind turbines every day **for the next year.**^[2]
- And if as much as **8%** is lost to fraud (a percentage, by the way, that the SBA's Office of Inspector General recently estimated was the rate of fraud in the notorious pandemic-related Paycheck Protection Program^[3]), then the fraudsters would make away with **\$160 billion**. That would pay for designing, constructing, and installing one brand new geothermal plant capable of generating 500MW, every single day **for over two years!**^[4]

Clearly, when fraud on these programs occurs (and the history of every other government program says it will), the government will need the help of everyone to catch it and minimize it. That effort will depend heavily on whistleblowers – the people on the ground who know which of these loans, grants, and incentives have been obtained by using false information. The more fraud that can be caught, the more the ill-gotten payments will be returned to these programs. In the end, that will help ensure that taxpayer money is spent the way Congress intended.

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[1] Using an average installation cost of \$30,000. <https://www.nerdwallet.com/article/finance/solar-panel-cost>

[2] Using an average cost per turbine of \$3 million. [https://weatherguardwind.com/how-much-does-wind-turbine-cost-worth-it/#:~:text=%241%2C300%2C000%20USD%20per%20megawatt, on%20wind%20turbine%20operational%](https://weatherguardwind.com/how-much-does-wind-turbine-cost-worth-it/#:~:text=%241%2C300%2C000%20USD%20per%20megawatt, on%20wind%20turbine%20operational%2)

[3] SBA, Office of Inspector General, *Covid-19 Pandemic EIDL and PPP Loan Fraud Landscape*, White Paper Report 23-09 (June 27, 2023).

[4] Using a cost per plant of \$200 million. <https://costhack.com/cost-to-build-geothermal-power-plant/>

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