

Google Gemini on Comparison of EPA WIFIA and Solyndra Funding Losses

InRecap March 25, 2026

Compare Solyndra failure to WIFIA's \$2.1b of funding losses -- e.g., a federal commitment with low credit subsidy cost suddenly becomes a very expensive loan funding because of inadequate due diligence.

While both Solyndra and the EPA's **WIFIA** (Water Infrastructure Finance and Innovation Act) program involve federal credit and "subsidy costs," the nature of their financial failures and the underlying due diligence issues differ significantly.

Comparison: Solyndra vs. WIFIA

Feature	Solyndra (DOE 1705)	WIFIA Program (EPA)
Primary Failure	Credit/Default Risk: The borrower went bankrupt and could not repay the loan.	Interest Rate Risk: Borrowers are solvent, but the government is funding loans at a loss due to rising interest rates.
Funding Loss	~\$535 Million: Direct loss of principal following bankruptcy in 2011.	~\$2.1 Billion: Accumulated "funding losses" (interest rate re-estimates) from FY2022–FY2025.
Original Subsidy	~\$78 Million: Apportioned by OMB to cover expected defaults (roughly 14.5% rate).	~\$185 Million: Total apportioned credit subsidy (discretionary) for the entire portfolio over the same period.
Due Diligence Issue	Misrepresentation of Viability: Failure to catch misleading data about contracts and market demand.	Embedded Option Risk: Inadequate accounting for the cost of "rate locks" and "resets" offered to highly rated borrowers.

1. Inadequate Due Diligence: "Default" vs. "Interest Rate"

- **Solyndra:** The [DOE Inspector General](#) found that "less than fully effective" due diligence allowed Solyndra to secure a loan based on unreliable contract data and inaccurate financial representations.
- **WIFIA:** The failure here is not project-specific but systemic. Critics and budget analysts argue that WIFIA's due diligence failed to value the **embedded options** (free rate locks and resets) given to borrowers. Because these borrowers are highly rated (AAA/AA) and have private market alternatives, they only draw down the federal loan when market rates rise above their locked-in federal rate, forcing the Treasury to fund the loan at a loss.

2. The Credit Subsidy "Timebomb"

- **Low Original Cost:** WIFIA uses a very low discretionary credit subsidy (often ~1%) to support a massive loan volume (e.g., \$10 million in appropriations supporting \$1 billion in loans). This creates a narrative of extreme cost-effectiveness.
- **Hidden Mandatory Spending:** When interest rates rose, the "true" cost surfaced. Because these losses are categorized as "positive interest rate re-estimates," they bypass the normal Congressional appropriations process and are covered by [permanent indefinite authority](#).
- **Scale of Loss:** By early 2026, these re-estimates for WIFIA totaled approximately **\$2.1 billion**, which is more than **10 times** the program's original apportioned discretionary credit subsidy.

3. Summary of the Shift

In both cases, a program that appeared "cheap" to taxpayers at the point of commitment became "expensive" at the point of execution. While Solyndra's cost was visible and politically explosive due to its bankruptcy, WIFIA's **\$2.1 billion** in losses is largely "hidden" in technical budget accounts, representing a massive transfer of value from federal taxpayers to local water utilities that likely didn't need the subsidy to begin with.

Obviously, Solyndra ended with a spectacular scandal because people can understand credit loss. But can a WIFIA 'narrative' allow the program to continue to offer embedded options because the loans are performing and funding losses are off-budget and might seem abstract? Note that water lobbyists have already established false narratives about WIFIA loan additionality (the real outcome is simply a transfer payment) -- couldn't they just do the same for the losses?

The WIFIA "narrative" has successfully shielded the program from a Solyndra-style scandal thus far by framing **\$2.1 billion** in funding losses as technical, off-budget interest rate adjustments rather than "failures".

1. "Above the Waterline" Narrative

- **The Deception of Performance:** Because WIFIA borrowers are creditworthy and loans are "performing" (repayments are made on time), the program maintains a surface-level appearance of success.
- **Abstract Losses:** Unlike the visceral "loss of principal" in Solyndra's bankruptcy, WIFIA's funding losses are "mandatory interest rate re-estimates" buried in technical budget appendices.
- **Off-Budget Protection:** These losses are covered by [permanent indefinite authority](#) rather than annual discretionary appropriations, making them nearly invisible to the public and most of Congress.

2. Lobbyist Narratives and "Additionality"

- **False Additionality:** Water lobbyists have framed WIFIA as essential for infrastructure growth, despite evidence that it often serves as a [transfer payment](#) to highly rated utilities that could otherwise access private markets.
- **"Free" Optionality:** Lobbyists advocate for maintaining features like **interest rate resets** (embedded options) by characterizing them as "flexibility" for local communities, while omitting that these options are the primary driver of the [billion-dollar taxpayer subsidies](#).

3. The Surfacing "Timebomb"

- **Scale of the Loss:** As of early 2026, mandatory spending for WIFIA re-estimates has reached **\$2.1 billion**—roughly **9%** of its total portfolio.
- **OMB Intervention:** While the narrative may work for the public, the White House FY 2026 Budget indicates that the Office of Management and Budget (OMB) is now looking at these "wasteful spending" numbers.
- **Political Risk:** Analysts suggest that if these "Solyndra-scale" technical losses are simplified for a political audience, the program's [narrative bulletproofing](#) could fail, leading to the elimination of the very features (like resets) that lobbyists fight to keep.

The narrative approach might succeed for the public and therefore Congress. But the funding losses indicate an oversight failure and the complete lack of discretionary appropriations or OMB apportionment for a predictable cost. Regardless of narrative and/or public and Congressional indifference, could non-compliance with OMB Circulars A-11 and A-129 and potential violation of the Anti-Deficiency Act force an internal investigation and possible changes?

While the "performing loan" narrative protects WIFIA's public image, the technical and legal risks stemming from **\$2.1 billion** in funding losses create a distinct internal vulnerability. The conflict between the program's [interest rate resets](#) and federal budgeting rules could indeed force significant changes through non-discretionary oversight channels.

1. OMB Circular A-11 and A-129 Compliance

- **Predictable Cost Omission:** [OMB Circular A-11](#) requires agencies to estimate the "full cost" of a loan at the time of commitment. By treating **\$2.1 billion** in interest rate losses as "unpredictable" noise rather than a systemic cost of [offering free options](#), the EPA may be in technical non-compliance with the requirement to capture the true subsidy cost.
- **Additionality Requirements:** [OMB Circular A-129](#) explicitly requires federal credit programs to demonstrate "additionality"—proving the project wouldn't happen

without the federal loan. WIFIA's focus on **AA-rated borrowers** who already have excellent market access suggests a failure to adhere to these policy principles.

2. Potential Anti-Deficiency Act (ADA) Violations

- **The ADA Mechanism:** The [Anti-Deficiency Act](#) prohibits agencies from obligating funds in excess of an apportionment.
- **The "Willful Minimization" Risk:** If it is determined that program staff willfully excluded "predictable" funding losses from their initial [subsidy apportionments](#) to make the program appear cheaper to Congress, this could constitute an ADA violation.
- **Permanent Indefinite Authority:** While [FCRA law](#) provides a legal "safe harbor" for interest rate re-estimates, this protection may not extend to [non-statutory resets](#) that are granted administratively rather than by law.

3. Drivers of Forced Internal Change

- **CBO Scoring Shifts:** The [Congressional Budget Office \(CBO\)](#) is increasingly viewing these losses as a "budget signal" rather than random "noise." If the CBO changes how it scores WIFIA reauthorizations, the program could face massive, upfront discretionary cost increases.
- **Oversight Investigations:** An ADA investigation or a [GAO audit](#) regarding the lack of transparency in subsidy modeling could strip the program of its ability to offer interest rate resets without specific, dedicated appropriations.
- **OMB "Surliness":** Internal budget tension is already visible; recent reports indicate that OMB has slowed loan processing to review these [executive action compliance](#) issues.

Would an internal federal investigation have to be considered by Congress in the process of reauthorizing WIFIA prior to expiry FYE 2026? Can it simply be ignored if lobbyists' 'narrative' cover is complete enough? This is primarily a political question.

Technically, Congress can ignore almost anything if the political cover is thick enough. However, the **WIFIA reauthorization** faces a unique "math vs. narrative" collision that makes a Solyndra-style internal investigation harder to sweep under the rug than it used to be.

Here is how that political dynamic typically plays out:

1. The "CBO Score" is the Real Gatekeeper

While lobbyists can influence the *narrative*, they cannot easily influence the **Congressional Budget Office (CBO)**.

- If the CBO looks at the **\$2.1 billion** in "funding losses" and decides to change its "scoring" methodology for the reauthorization, it will suddenly make WIFIA look incredibly expensive on paper.
- A high "score" requires Congress to find **offsets** (cuts to other programs) to pay for it. Once other programs are threatened, the "water lobby" loses its universal support, and an internal investigation becomes a convenient tool for opponents to kill or scale back the program.

2. The "Administrative ADA" Trap

An internal investigation into **Anti-Deficiency Act (ADA)** violations or **OMB Circular A-11** non-compliance is a "legal" event, not just a political one.

- If the **EPA Inspector General** or **GAO** opens a formal probe into why \$2.1 billion in costs weren't apportioned correctly, the report becomes a mandatory part of the "legislative record."

- Even if the narrative is "complete," a formal finding of "fiscal mismanagement" or "unlawful obligation of funds" gives fiscal hawks the ammunition they need to stall the bill in committee.

3. The "Solyndra" Comparison as a Political Weapon

The most effective way to break a lobbyist's narrative is to simplify the math.

- **The Script:** "Solyndra lost \$535 million and it was a national scandal. WIFIA has lost **\$2.1 billion**—four times as much—through back-door interest rate subsidies for wealthy utilities."
- If that "Solyndra-scale" comparison takes hold, the abstract nature of "funding losses" becomes concrete "taxpayer waste."

4. Can it be ignored?

Yes, but only under one condition: If the reauthorization is tucked into a massive, "must-pass" omnibus spending bill at the 11th hour. In that scenario, most members of Congress won't even know the investigation exists, and the lobbyist narrative (water = good) wins by default.