

106TH CONGRESS
1ST SESSION

H. R. 1452

To create United States money in the form of noninterest bearing credit in accordance with the 1st and 5th clauses of section 8 of Article I of the Constitution of the United States, to provide for noninterest bearing loans of the money so created to State and local governments solely for the purpose of funding capital projects.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 1999

Mr. LAHOOD introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To create United States money in the form of noninterest bearing credit in accordance with the 1st and 5th clauses of section 8 of Article I of the Constitution of the United States, to provide for noninterest bearing loans of the money so created to State and local governments solely for the purpose of funding capital projects.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “State and Local Gov-
3 ernment Economic Empowerment Act”.

4 **SEC. 2. FINDINGS.**

5 The Congress hereby finds the following:

6 (1) As of the date of the enactment of this Act,
7 money is principally created in the domestic econ-
8 omy by banks through the process known as “de-
9 posit expansion” under which credit is extended by
10 banks to customers in exchange for the assumption
11 of an obligation by each customer to repay the
12 amount of any such credit with interest.

13 (2) The creation of money through the exten-
14 sion of credit and creation of debt, a traditional
15 banking function, preceded the establishment by the
16 Congress of, first, the national banking system and,
17 subsequently, the Federal Reserve System.

18 (3) The constitutional authority to create and
19 regulate money does not limit the Federal Govern-
20 ment to creating money through the production of
21 coins or currency or the process of debt creation but,
22 except for a brief period during the administration
23 of President Lincoln, the Federal Government has
24 not exercised such authority more broadly.

25 (4) The creation of money by the banks in con-
26 junction with the Federal reserve banks does not

1 limit the constitutional authority of the Congress to
2 create Government credit funds in the form of non-
3 interest bearing credit to fund a legislatively ap-
4 proved program or prevent the Congress from cre-
5 ating such funds.

6 (5) The creation of noninterest-bearing govern-
7 ment credit funds in measured or limited increments
8 for the purpose of funding capital and environmental
9 projects in the public interest—

10 (A) will allow projects to be built for $\frac{1}{2}$ to
11 $\frac{1}{3}$ the normal cost; and

12 (B) will allow more necessary projects to
13 be built at a lower cost to the taxpayers and at
14 the same time build additional wealth in the
15 communities where such projects are located.

16 **SEC. 3. CREATION OF MONEY.**

17 (a) IN GENERAL.—Pursuant to the exercise by the
18 Congress of the authority contained in the 5th clause of
19 section 8 of Article I of the Constitution, the Secretary
20 of the Treasury shall have money available for purposes
21 of this Act in an amount equal to the product of—

22 (1) the population of the United States, as de-
23 termined by the Secretary of Commerce on the basis
24 of the 1990 census; and

25 (2) \$1,400.

1 (b) LOAN AGREEMENT.—The money referred to in
2 section 3(a) shall be created by having the Secretary of
3 the Treasury and the Board of Governors of the Federal
4 Reserve System enter into a Loan Agreement in accord-
5 ance with the following requirements:

6 (1) The Board shall lend the United States
7 Treasury an amount up to a total of
8 \$360,000,000,000 at the rate of not more than
9 \$72,000,000,000 per annum (on a cumulative basis)
10 in each of the 5 years commencing 60 days after the
11 date of the enactment of this Act.

12 (2) The Secretary of the Treasury shall pay an
13 annual fee to the Board (the amount to be nego-
14 tiated between the Secretary and the Board) to
15 cover the administrative costs the Board incurs in
16 acting as the agent of the Administrator appointed
17 under section 4(b). The amount of this administra-
18 tion fee each year shall be charged to the recipients
19 of the noninterest bearing loans made to them dur-
20 ing the year pursuant to section 7(e), pro rata to the
21 amount of such loans.

22 (c) EXERCISE OF SOVEREIGN CAPACITY TO CREATE
23 MONEY.—

24 (1) IN GENERAL.—Any amount made available
25 pursuant to this Act shall be treated as money cre-

1 ated in the sovereign and exclusive capacity of the
2 United States, in accordance with the Constitution,
3 to create money.

4 (2) EXPENDITURE OF TAX REVENUE OR BOR-
5 ROWED FUNDS NOT AUTHORIZED.—No provision of
6 this Act shall be construed as authorizing the ex-
7 penditure of funds derived from revenues imposed
8 and collected by the United States Government
9 under any provision of law or from amounts bor-
10 rowed by the United States Government pursuant to
11 chapter 31 of title 31, United States Code, or any
12 other provision of law.

13 (d) BUDGET TREATMENT.—

14 (1) NONAPPLICABILITY OF PROVISIONS APPLI-
15 CABLE TO RECEIPT AND EXPENDITURES OF REV-
16 ENUE AND BORROWED FUNDS.—For purposes of
17 title 31, United States Code, the Congressional
18 Budget and Impoundment Control Act of 1974, the
19 Balanced Budget and Emergency Deficit Control
20 Act of 1985, the Budget Enforcement Act of 1990,
21 or any other provision of law—

22 (A) money created under this section shall
23 not be treated as revenue when it is created or
24 made available to the Administrator under sec-
25 tion 4(b) nor shall it be treated as revenue by

1 the Administrator or by the Secretary of the
2 Treasury when the loans referred to in section
3 6 are repaid;

4 (B) the money created under this section
5 and the interest-free loan program established
6 under section 6—

7 (i) shall not be treated as budget au-
8 thority, new budget authority, budgetary
9 resources, spending authority, new spend-
10 ing authority, entitlement authority, or
11 credit authority;

12 (ii) shall not be subject to apportion-
13 ment or sequestration other than in ac-
14 cordance with the provisions of sections 4,
15 5, and 6; and

16 (iii) shall not be taken into account in
17 the determination of the baseline for any
18 fiscal year; and

19 (C) the disbursement of money created
20 under this section shall not be treated as an
21 outlay or a budget outlay.

22 (e) BANK RESERVE REQUIREMENTS.—No provision
23 of this Act shall be construed as affecting any authority
24 of the Board to adjust bank reserve requirements, as ap-
25 propriate.

1 **SEC. 4. ADMINISTRATION OF THE ACT.**

2 (a) IN GENERAL.—The Administrator of this Act
3 shall be under the Department of the Treasury.

4 (b) MANAGEMENT.—An Administrator shall be ap-
5 pointed by, and accountable to, the Secretary of the Treas-
6 ury.

7 (c) DUTIES OF ADMINISTRATOR.—

8 (1) IN GENERAL.—The Administrator shall be
9 solely responsible for disbursing, pursuant to section
10 6, funds created under this Act and otherwise car-
11 rying out the duties imposed under this Act.

12 (2) APPOINTMENT OF AGENT.—The Adminis-
13 trator may appoint the Board or any Federal reserve
14 bank as an agent of the Administrator to perform
15 such duties of the Administrator under this Act that
16 the Administrator sees fit to delegate to the Board
17 or any such bank.

18 (d) UNITED STATES GOVERNMENT GENERAL
19 CHECKING ACCOUNT.—

20 (1) DEPOSIT.—Checks drawn on the money
21 created under section 3 shall be deposited to the
22 credit of the United States Government in a United
23 States Government general checking account at a
24 Federal reserve bank.

25 (2) DISBURSEMENTS FROM ACCOUNT.—All dis-
26 bursements of loans under section 6 shall be made

1 with United States Government checks from the ac-
2 count referred to in paragraph (1).

3 (e) LOAN REPAYMENT ACCOUNT.—The Adminis-
4 trator shall establish and maintain a separate checking ac-
5 count in a Federal reserve bank for the deposit of any
6 repayment of principal on loans made under section 6.

7 **SEC. 5. ELIGIBILITY OF STATE AND LOCAL GOVERNMENTS**
8 **FOR INTEREST-FREE LOANS.**

9 (a) IN GENERAL.—Subject to subsection (b), each
10 State, county, township, incorporated municipality, school
11 district, and Indian tribe shall be entitled to obtain a loan
12 from the Administrator in accordance with section 6, un-
13 less such unit of government is delinquent in repaying a
14 prior loan.

15 (b) MAXIMUM AMOUNT LIMITATION.—The total
16 amount of money to which any entity described in sub-
17 section (a) is eligible to borrow under this section shall
18 not exceed the amount equal to the product of—

19 (1) the resident population, as determined by
20 the Secretary of Commerce on the basis of the 1990
21 census, of the geographic territory over which the
22 entity has jurisdiction (or, in the case of a school
23 district, the latest official enrollment figures as re-
24 ported to the State in which the school district re-
25 sides); and

1 (2) the amount equal to—

2 (A) in the case of a State, \$200;

3 (B) in the case of a county (as defined in
4 section 2 of title 1, United States Code), \$100;
5 if the State has no township form of govern-
6 ment, this amount shall be \$200;

7 (C) in the case of an incorporated munici-
8 pality, \$600;

9 (D) in the case of any township, \$100;

10 (E) in the case of any school district,
11 \$2,400; and

12 (F) in the case of an Indian tribe, \$1,000.

13 **SEC. 6. ISSUANCE OF INTEREST-FREE LOANS.**

14 Subject to sections 5(b) and 7, the Administrator
15 shall issue an interest-free loan from the money created
16 under section 3 to any government unit described in sec-
17 tion 5(a) if the Administrator obtains such assurances as
18 the Administrator determines to be appropriate from the
19 unit that—

20 (1) the proceeds of such loan will be used solely
21 for the purpose of—

22 (A) funding capital projects of the govern-
23 mental unit, including the construction of or
24 improvements to—

25 (i) school facilities;

- 1 (ii) streets, highways, bridges, and
2 tunnels;
3 (iii) water and sewer systems;
4 (iv) waste disposal systems;
5 (v) public housing facilities;
6 (vi) public buildings and other public
7 facilities; and
8 (vii) environmental facilities; or
9 (B) the cleanup of toxic waste sites or
10 other environmental improvements.

11 **SEC. 7. ADMINISTRATIVE PROVISIONS.**

12 (a) **DISBURSEMENT REQUIREMENTS.**—Loans made
13 under section 6 shall be disbursed by the Administrator—

14 (1) in a lump sum for the full amount of the
15 loan; or

16 (2) if the Administrator determines that partial
17 disbursements are appropriate in the case of loans
18 for construction projects in order to accommodate a
19 greater number of loan requests, over the construc-
20 tion period of the project.

21 (b) **MINIMUM PHASE-IN PERIOD.**—Disbursements on
22 all eligible loans approved under section 6 shall begin be-
23 fore the end of the 5-year period beginning on the date
24 of the enactment of this Act.

1 (c) PERIOD TO MATURITY.—The period to maturity
2 of any loan made under section 6 shall be the estimated
3 number of years of the useful life of the infrastructure
4 installation (if any) which is financed by the loan, but,
5 in any case, shall be a minimum of 10 years and a max-
6 imum of 30 years.

7 (d) APPLICABILITY OF STATE LAW.—The number or
8 the principal amounts of interest-free loans made under
9 section 6 to any governmental unit established by a State,
10 or the period to maturity of any such loan, may not exceed
11 the maximum number, amount, or period to maturity es-
12 tablished under the law of such State, unless the State
13 provides a waiver from any such limitation with respect
14 to any such governmental unit.

15 (e) ADMINISTRATIVE FEES.—The Administrator
16 shall impose an administrative fee on each recipient of a
17 loan under section 6 in an amount not to exceed the lesser
18 of—

19 (1) 0.25 percent of the total amount of the
20 loan; or

21 (2) the amount sufficient to cover all adminis-
22 trative costs incurred by the Administrator, includ-
23 ing overhead, for making and administering that
24 particular loan.

1 (f) TERMS OF REPAYMENT.—The repayment terms
2 of any loan under section 6 shall require quarterly pay-
3 ments by the recipient in equal amounts determined by
4 dividing—

5 (1) the sum of the principal and the adminis-
6 trative fees applicable with respect to such loan; by

7 (2) the number of calendar quarters any por-
8 tion of which falls within the period to maturity of
9 the loan.

10 (g) COLLECTIONS OF PAST DUE AMOUNTS AND COL-
11 LECTION FEES.—

12 (1) ENFORCED COLLECTIONS.—The Adminis-
13 trator shall take action to enforce collection of past
14 due amounts of any loan on which 4 or more quar-
15 terly payments are due and payable.

16 (2) IMPOUNDMENT OF DELINQUENT
17 AMOUNT.—In the case of any delinquent loan de-
18 scribed in paragraph (1), the Administrator may
19 seek an order from any district court of the United
20 States of appropriate jurisdiction directing a United
21 States marshal to impound, under authority of this
22 section, any available funds of the debtor in an
23 amount equal to the amount currently due as of the
24 date of such action to reduce or eliminate the delin-
25 quency.

1 (3) WAIVER OF DEBTOR'S RIGHT TO DEFEND
2 AGAINST COLLECTION.—As a condition for receiving
3 any loan under section 6, the recipient shall waive
4 any right to take any legal action to prevent or de-
5 fend against the collection by the Administrator of
6 any amount which the parties agree is past due.

7 (4) COST OF COLLECTION.—The costs incurred
8 by the Administrator in collecting any amount under
9 this subsection with respect to any loan shall be
10 added to and treated as a part of the principal
11 amount of the loan.

12 (5) BALANCE OF LOAN PRINCIPAL AND FEES
13 PAYABLE IN ACCORDANCE WITH TERMS OF LOAN.—
14 A debtor who is subject to collection proceedings
15 under this subsection for any delinquent portion of
16 a loan under section 6 shall continue to meet the re-
17 payment schedule applicable to such loan for the re-
18 maining amount of principal and fees.

19 **SEC. 8. DISPOSITION OF FUNDS UPON REPAYMENT.**

20 The Administrator shall, at such times and in such
21 amounts as the Administrator determines to be appro-
22 priate, transfer amounts in the loan repayment account
23 referred to in section 4(e) hereof to the United States Gov-
24 ernment general checking account referred to in section
25 4(d)(1).

1 **SEC. 9. DEFINITIONS.**

2 For purposes of this Act, the following definitions
3 shall apply:

4 (1) ADMINISTRATOR.—The term “Adminis-
5 trator” means the Administrator appointed by the
6 Secretary of the Treasury.

7 (2) BOARD.—The term “Board” means the
8 Board of Governors of the Federal Reserve System.

9 (3) INDIAN TRIBE.—The term “Indian tribe”
10 means any Indian tribe, band, pueblo, nation, or
11 other organized group or community, including any
12 Alaska Native village or regional or village corpora-
13 tion as defined in or established pursuant to the
14 Alaska Native Claims Settlement Act, which is rec-
15 ognized as eligible for the special programs and serv-
16 ices provided by the United States to Indians be-
17 cause of their status as Indians.

18 (4) SECRETARY.—Except when used in connec-
19 tion with a reference to the Secretary of Commerce,
20 the term “Secretary” means the Secretary of the
21 Treasury.

22 (5) STATE.—The term “State” includes the
23 District of Columbia, the Commonwealth of Puerto
24 Rico, Guam, American Samoa, the United States
25 Virgin Islands, and the Northern Mariana Islands.

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