

105TH CONGRESS
2D SESSION

S. 1962

To provide for an Education Modernization Fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 21, 1998

Mr. FAIRCLOTH introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for an Education Modernization Fund, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Education Moderniza-
5 tion Fund Act”.

6 **SEC. 2. EDUCATION MODERNIZATION LOANS AND FUND.**

7 (a) LOANS.—

8 (1) IN GENERAL.—The Secretary of Education
9 (referred to in this subsection as the “Secretary”)
10 shall make loans to States for the purpose of con-

1 structing and modernizing elementary schools and
2 secondary schools.

3 (2) TERMS.—The Secretary shall make low in-
4 terest, long-term loans, as determined by the Sec-
5 retary, under paragraph (1). The Secretary shall de-
6 termine the eligibility requirements for, and the
7 terms of, any loan made under paragraph (1).

8 (3) ALLOCATION OF FUNDS.—The Secretary
9 shall determine a formula for allocating the funds
10 made available under subsection (b)(4) to States for
11 loans under paragraph (1). The Secretary shall en-
12 sure that the formula provides for the allocation of
13 funds for such loans to each eligible State. In deter-
14 mining the formula, the Secretary shall take into
15 consideration the need for financial assistance of
16 States with significant increases in populations of el-
17 elementary school and secondary school students.

18 (4) DEFINITIONS.—In this subsection, the
19 terms “elementary school” and “secondary school”
20 have the meanings given the terms in section 14101
21 of the Elementary and Secondary Education Act of
22 1965 (20 U.S.C. 8801).

23 (b) FUND.—

24 (1) ESTABLISHMENT.—There is established in
25 the Treasury of the United States a trust fund, to

1 be known as the “Education Modernization Fund”,
 2 consisting of the amounts transferred to or deposited
 3 in the Trust Fund under paragraph (2) and any in-
 4 terest earned on investment of the amounts in the
 5 Trust Fund under paragraph (3).

6 (2) TRANSFERS AND DEPOSITS.—

7 (A) TRANSFER.—The Secretary of the
 8 Treasury shall transfer to the Trust Fund an
 9 amount equal to \$5,000,000,000 from the mod-
 10 ernization fund described in section 5302 of
 11 title 31, United States Code.

12 (B) DEPOSITS.—There shall be deposited
 13 in the Trust Fund all amounts received by the
 14 Secretary of Education incident to loan oper-
 15 ations under subsection (a), including all collec-
 16 tions of principal and interest.

17 (3) INVESTMENT OF TRUST FUND.—

18 (A) IN GENERAL.—The Secretary of the
 19 Treasury shall invest the portion of the Trust
 20 Fund that is not, in the Secretary’s judgment,
 21 required to meet current withdrawals.

22 (B) OBLIGATIONS.—Such investments may
 23 be made only in interest-bearing obligations of
 24 the United States or in obligations guaranteed
 25 as to both principal and interest by the United

1 States. For such purpose, such obligations may
2 be acquired—

3 (i) on original issue at the issue price;

4 or

5 (ii) by purchase of outstanding obliga-
6 tions at the market price.

7 (C) PURPOSES FOR OBLIGATIONS OF THE
8 UNITED STATES.—The purposes for which obli-
9 gations of the United States may be issued
10 under chapter 31 of title 31, United States
11 Code, are extended to authorize the issuance at
12 par of special obligations exclusively to the
13 Trust Fund.

14 (D) INTEREST.—Such special obligations
15 shall bear interest at a rate equal to the aver-
16 age rate of interest, computed as to the end of
17 the calendar month next preceding the date of
18 such issue, borne by all marketable interest-
19 bearing obligations of the United States then
20 forming a part of the Public Debt, except that
21 where such average rate is not a multiple of $\frac{1}{8}$
22 of 1 percent, the rate of interest of such special
23 obligations shall be the multiple of $\frac{1}{8}$ of 1 per-
24 cent next lower than such average rate.

1 (E) DETERMINATION.—Such special obli-
 2 gations shall be issued only if the Secretary of
 3 the Treasury determines that the purchase of
 4 other interest-bearing obligations of the United
 5 States, or of obligations guaranteed as to both
 6 principal and interest by the United States on
 7 original issue or at the market price, is not in
 8 the public interest.

9 (F) SALE OF OBLIGATION.—Any obligation
 10 acquired by the Trust Fund (except special obli-
 11 gations issued exclusively to the Trust Fund)
 12 may be sold by the Secretary of the Treasury
 13 at the market price, and such special obliga-
 14 tions may be redeemed at par plus accrued in-
 15 terest.

16 (G) CREDITS TO TRUST FUND.—The inter-
 17 est on, and the proceeds from the sale or re-
 18 demption of, any obligations held in the Trust
 19 Fund shall be credited to and form a part of
 20 the Trust Fund.

21 (4) EXPENDITURES FROM TRUST FUND.—
 22 Amounts in the Trust Fund shall be available to the
 23 Secretary of Education for making expenditures to
 24 carry out subsection (a).

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