

Because democracy is a work in progress and requires constituent participation, we invite your collaboration in developing and refining our plans. We have added comments in areas where we have identified that we need specific questions and welcome your input.

Economic Growth Plan - Part II: Federal Opportunity Investment Fund

Introduction

The Federal Opportunity Investment Fund (“FOIF”), as outlined below, follows from the same set of governing principles and concepts as defined in [Part I of our Economic Plan](#) (see pages 1-10).

The FOIF will support the medium to long-term needs of the U.S. economy and will consist of a stimulus and investment fund legislated by Congress and administered by the Treasury department with Fed responsibilities for certain aspects of execution. Funds will be allocated on the basis of a Community Needs Assessment process that elicits the areas where investment generates the highest returns to American society.

We welcome public collaboration and input into the structuring of this fund with the goal of addressing the challenges facing our national and world economy.

Background

As a matter of reality, we want to explicitly acknowledge here that by working together to direct the economy into the future, we create the opportunity for improvements to this program. In the development of the FOIF and the expectation for its success, we believe that innovation, new ideas founded on first principles and the repository of knowledge that we possess, as humans, at this moment in time, offer a foundation for success if we acknowledge the opportunity for improvement, no matter the size or scale of the challenge.

Often these areas for improvement within society are seen as errors or bugs, or their identification as evidence of cynicism on the part of those proposing solutions. Instead, honest application of first principles ensures that adjustments will be made to our proposal, and its subsequent roll-out by the legislature as law, to address more efficient construction of the proposed solution, including in the disbursement of the funds, learning on the part of participants, which includes every member of American society,

or reduction of people gaming the system for their own perceived benefit and to the detriment of each of us.

Society is incentivized, within itself, to perform this ongoing review of its actions to maximize the long-term return to investment into itself in such a way that adjustments to administration of these programs will be consistently reviewed to ensure that learning is incorporated in delivery of both demand and supply-side solutions.

Our framework for how we invest in our own future determines the future in which we will find ourselves because the actions we take today generate the returns that allow us to consume, repay debt, and continue to invest. The Targeted Areas of Support we have identified will require short-term interventions, as outlined in our Economic Plan Part I, and long-term reframing of our investments into these areas via the FOIF.

As such, our proposal is to create a general community-based fund that will support demand and supply through the mechanisms of economic growth, at the community level, where each of us lives and works with one another to create those solutions that answer the needs of others in our communities and around the world. We submit that any distribution of funds must include a thesis for future return on investment and a determination of the probability of such return. Without such a thesis, no mechanism exists for why and how money spent will accrue the necessary long-term economic benefits to justify the outlay. As mentioned before, we see no option other than the creation of each of the following elements of the FOIF, and likely more, and we explicitly argue that little to no economic growth will result from any of our efforts unless we acknowledge, as a first principle, that each person's contribution will be needed to create a sustainable model for long-term growth.

Commented [1]: Consider: given the broad array of responsibilities that the FOIF has to fund / invest across the economy; what checks / balances do we need to incorporate to ensure that the centralization in FOIF isn't abused?

Structure of the Federal Opportunity Investment Fund

Below is an outline of how we currently envision the structure of the FOIF:

- a. Congress creates and allocates funds to the FOIF
- a. Fed originates investments on the basis of Community/Private Sector Needs Assessments
- b. FOIF (sub-department of Treasury) underwrites
- c. Fed funds investments through the US banking system
- d. Fed researches and tracks macroeconomic outcomes resulting from FOIF investments

How Will the FOIF Allocate Money into the Real Economy?

- a. Creation of a bottom-up, nationwide dataset consisting of human needs with the [participation of every US citizen](#) with a desire to improve their lives and the lives of those around them.
- b. Dataset will be generated via Community Needs Assessment and Private Sector Needs Assessment structure for, Communities (individuals and elected officials), and Businesses to answer collectively regarding the needs that exist for the community itself
 - i. Community Needs Assessment process must be completed as a precondition to launch of the FOIF
 - ii. Example: Medium-sized rural community, significant amount of diversity in the community
 - 1. One of its needs could be that members from diverse backgrounds have yet to fully integrate into the community and therefore, are less able to consume services as well as participate with other community members to generate higher economic capacity in the future
- c. Identify the areas of need that all members of the community share, such as [healthcare, food, housing, water, technology infrastructure](#)
- d. Subject matter experts will be compensated to lead analysis, contribute to discussions, and inform public of the potential areas for growth
- e. Funds would be appropriated to businesses based on their submission of development plans that meet needs identified in the Community Needs Assessment, as reviewed and approved by the FOIF.
 - i. Businesses that participate in the derivation of solutions in their communities will receive priority in the bids that result from community discussions. Investing time and resources in the solution and aiding the community discussion necessitates reciprocity on the part of the community.
- f. Communities work with one another to provide needs and services
 - i. Explicit benefits would be derived from inter-community participation and will be compensated and acknowledged accordingly.
- g. Corporations with excess cash will be allowed to invest back into the real economy through the Federal Opportunity Investment Fund through an [investment vehicle established by the FOIF for this purpose](#)
 - i. Corporations incentivized to participate via tax incentives
 - ii. For all publicly traded companies, share repurchases will be prohibited unless they are participants in the Fund
 - iii. Fund functions according to an opt-out structure
- h. Individuals willing to contribute personal assets to these programs will be allowed to invest via the special purpose fund outlined in (g).

Commented [2]: We are seeking assistance developing the legal and corporate structure of the FOIF to facilitate this investment

- i. Income-support payments (unemployment or otherwise) to community members participating in their local city and county discussions will be routed through the following process:
 - i. Municipal administration will track and distribute funds
 - ii. Higher participation on the part of unemployed citizens results in higher returns to municipality in the form of higher cash payments to those that participate
- j. Creation of an information discussion portal available for community members to see and participate in the communications that occur around this determination of need
- k. All conversations regarding use of this fund will be public and recorded for access
 - i. We are deploying government funds from the future, of which all of us will be contributors, to our needs today. This requires conversations to be held publicly, to ensure that the information transfer flows freely and is usable by all parties.
- l. Additional funds and support for entrepreneurs will be deployed to those who are either first-time innovators or those who have previously innovated in a space different than the space of current needs.
 - i. Previous policy outcomes in new business generation and innovation for meeting human needs has shown that we can improve our support for prospective entrepreneurs in more than just finance.
- m. Treasury will collaborate with the FOIF team and the Fed to create a prepackaged bankruptcy filing process to speed up claims processing for businesses that are unable to access resources.
 - i. Treasury and FOIF will create a process through which FOIF can step into the DIP process to prevent disruptions to bankruptcy filings
 - ii. Treasury will collaborate with FOIF and Justice department to ensure bankruptcy courts are adequately staffed
 - iii. Bankruptcy process will be used to ensure businesses who are contributing positively to their communities can continue to operate

Targeted Areas of Support

Food

- a. Food is a need that is currently not being met in either amount, type, or price. The only solution for long-term sustainable economic growth is the ability to deliver healthy foods in required quantities to the consumer.
- b. Food production support on a community level
 - i. Initial finance
 - ii. Consulting
 - iii. Job training for unemployed or underemployed workers

- c. Food production exchange
 - i. Areas that have the ability to produce certain types of food in excess quantities will have micro-trade agreements in place to facilitate the exchange of food
 - ii. Transportation can bid on providing services to these exchanges
 - iii. Support through the Federal Opportunity Investment Fund

Housing/Rental Market

- a. City and County driven support to ensure that housing and homelessness do not become a broader drag on economic capability
 - i. Community Needs Assessment model for Federal Government, Community to identify the highest needs
- b. Funding contingent on municipalities modifying zoning/land-use requirements to facilitate building to a point where supply (price of a mortgage or rent) equals a median ability to pay based on median income for that locality
 - i. Tiered to account for different income levels and ability to pay
- c. Opt-out requirement on the part of the municipality
 - i. Higher tax rates applied progressively for municipalities that opt-out
 - ii. Opt-out without penalty occurs if municipality presents and executes on its own plan where proven results are higher than results from original support structure.
 - iii. No reduction in existing living/quality standards
- d. Builder incentives
 - i. Include a maintenance contract with the construction contract and the bidder must be willing to sign a maintenance contract
 - ii. Agreed-upon amount and any excess is borne by the builder
 - 1. Savings would return to the builder
 - 2. Margin benchmark or cost-plus mechanism to account for the price changes of materials needed for maintenance
 - 3. Quality evaluation from the municipality

Homelessness

- a. Specific set of funds allocated to reducing homelessness under the FOIF, allocated at the community level
 - i. Quicker reductions of homelessness on the parts of communities means that productive capacity of those communities is larger, more quickly, such that need for future homelessness-specific FOIF funds is less
 - ii. One of the ways we measure success of this fund will be to quantify the effects of its application to homelessness reduction
 - iii. Relationship between homelessness (actual level) and the ability to access more FOIF funding for different target areas.

1. The implication is that a community solving for homelessness is necessarily solving for the factors that drive economic growth in the future
 - a. As investments in reducing homelessness pay off, communities will benefit from increased access to FOIF funds in support of a broader array of target areas
 - b. Solving for homelessness at increasing rates allows for redeployment of societal assets to higher-use purposes.
 - c. As a community's homelessness-specific FOIF funding goes down and general economic growth FOIF funding increases, the redeployment of societal assets referenced in the point above will drive nonlinear incremental increases in growth from each incremental FOIF dollar
 - i. Intersecting slopes of curves (Homelessness-specific funding will go down, and general economic growth funding will go up) will equalize the need for FOIF funds when the relative ROIs of each meet
- iv. Communities will be incentivized to solve for homelessness and economic growth in parallel because the positive societal drivers for both are equal

Companies - participating in the real economy

- i. Community Needs Assessment process identifies infrastructure projects for which existing companies can bid
 1. List of projects that are currently sitting ready for bid
- ii. Community Needs Assessment process identifies areas where implementation of national or regional markets may benefit communities.
 1. Example:
 - a. Regionalized agriculture needs
 - b. Healthcare Markets
- iii. Small businesses and new businesses
 1. Small businesses, and especially businesses whose products and services are new, foster competition in the markets they serve and create new employment opportunities in the communities where they operate
 2. Lack of support for the small business capital markets has eroded the business startup rate, thereby reducing innovation, competition, and employment
 3. Small businesses and new businesses will be supported with capital through the FOIF when providing a thesis for a community need (based on the results of the Community Needs Assessment process) that they can supply

Municipalities

- a. Operating Budget Support
 - i. Refinance of any existing debt to the Federal Reserve, where the existing terms are too onerous
 - 1. Used to support essential services funded by the Municipality
- b. New municipal programs can be initiated with FOIF support
 - i. Probable uses of funds include:
 - 1. Public Health Fund to address future and ongoing pandemic threats
 - 2. Public Education Fund to address future and ongoing threats to location-based educational settings
 - 3. Student-based, forward looking investment into their educational capabilities
 - a. Relook how we deploy capital and make it more student-centric
 - ii. Required opt-out on the part of States
 - 1. If opting out, ineligible to receive any future federal support for infrastructure projects via the FOIF
 - 2. If opting out, ineligible to receive any increase in future state-level matching of federal funds
 - iii. Required opt-out on the part of Counties / Cities
 - 1. If opting out, ineligible to receive any future federal support for infrastructure projects via the FOIF
 - 2. If opting out, ineligible to receive any increase in future state-level matching of federal funds

Infrastructure Projects

- a. Funding vehicles for infrastructure projects based on beneficiary analysis designed to create highest return on investment per community entity (city, county, state, national)
 - i. Community Needs Assessment model for Federal Government and Communities to identify the highest needs
 - 1. At a market level, the U.S. will need to support industries/companies that are systemically important to the information infrastructure through the Federal Opportunity Investment Fund
 - ii. Companies based within city and county locales will be required to contribute a percentage of equity to infrastructure projects for those communities

- 1. Would receive a rebate on future taxes as a return, based on tax receipts increasing relative to a baseline tax rate
 - 2. If companies left that locale, they would be required to return the amount of tax base loss to the previous locale for a set time period into the future.
 - iii. States are prohibited from offering relocation incentives to companies
- b. Utilities
 - i. Community Needs Assessment model for Federal Government, Community to identify the highest needs
 - ii. Utility can opt out
 - iii. If the community identifies an area where utility should be providing infrastructure, and the community undertakes it first, then the utility pays for the outlay back to the federal government.

Banking system

- a. With the backing of the Federal Reserve and the FOIF, the banking system will facilitate the deployment of the vast majority of FOIF funds into the real economy.
 - i. Banks will source and underwrite loans that meet community needs as identified through the Community Needs/Private Sector Needs Assessment Processes
- b. Ensure that existing corporate loans are restructured that target economic returns into the future are restructured and not lost
 - i. FOIF/Fed introduces a program that loans are guaranteed subject to an underwriting guideline that conforms to the goals
 - 1. Similar to Agency mortgage loans
- b. Banking Market/Bank Debt
 - i. Applies to a company's credit facility(s)
 - ii. Utilize FOIF/Fed facility that banks can access upon bid for infrastructure or thesis for market need, or recapitalization
 - iii. Banks will be the entry point for the capital stack
 - 1. Banks have responsibility for helping to develop the capital stack for the business and how they perceive the risk
 - 2. The Companies needing capital have to come with a thesis to answer the Private Sector Needs Assessment
 - iv. Funding allocation determinants and underwriting criteria for banks to deploy FOIF funds
 - 1. Recapitalization of current deployed assets
 - 2. New or existing infrastructure projects that need additional work performed

3. Existing area of market need that are no longer being served because of company closures, etc
 - a. Accept proposals for new entity and finance to meet market needs
 - i. Could be previous business owners who closed, not due to over-leverage, but due to demand shock
 4. Existing area of market need where no service has been existing due to market failure
 - a. New area of market need that has been identified
 - b. Banks will buy credit insurance on the bank's portfolio
 - i. Fed funds rate is the determinant
 - ii. Fed supports the size of the insurance market outlay
- c. Private Equity and Private Credit
- i. Banks will be the entry point for the capital stack, as they largely control senior secured debt
 1. Banks will have responsibility for helping to develop the remainder of the capital stack for the business and how they perceive the risk
 2. The companies needing capital have to come up with a thesis to answer Private Sector Needs Assessment
 - ii. Investments/projects can access FOIF funds via banks upon bid for infrastructure or thesis for market need
 1. Private Equity Fund LP Agreements would be adhered to, such that dormant assets could be repositioned but for their access to capital
 - a. Banks will be the ultimate arbiter of the capital structure and would facilitate a realignment of equity ROI with community and entity ROI.
 - b. Debt is construed by the repayment of an agreed-upon facility through the cash flows of the business. Anything beyond this level would be lower in the capital stack (sets of different types of financing)
 - iii. Limited options for deployment
 1. Business Transition
 2. Growth opportunities, but standard bank risk profiles don't allow for high enough funding
 3. Recapitalization of currently deployed assets
 4. Distressed or underutilized assets

Next Steps

Community leaders/members and their private sector stakeholders can work toward identifying the areas of investment by completing the [Community Needs Assessment](#) and [Private Sector Needs Assessment](#) templates respectively. In coordination with their Congresspeople, communities can work to craft policy proposals and subsequent legislation with our campaign/administration to structure and fund the FOIF with appropriate checks and balances to prevent encroachment or abuse from bad actors within the Executive and Legislative branches of our government.