

114TH CONGRESS
2D SESSION

S. _____

To prohibit the provision of Federal funds to State and local governments for payment of obligations, to prohibit the Board of Governors of the Federal Reserve System from financially assisting State and local governments, and for other purposes.

IN THE SENATE OF THE UNITED STATES

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

A BILL

To prohibit the provision of Federal funds to State and local governments for payment of obligations, to prohibit the Board of Governors of the Federal Reserve System from financially assisting State and local governments, 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 “State, Territory, and
5 Local Government Bailout Prevention Act”.

6 **SEC. 2. DEFINITION.**

7 In this Act, the term “State” includes—

- 1 (1) the Commonwealth of Puerto Rico; and
2 (2) any other territory or possession of the
3 United States.

4 **SEC. 3. PROHIBITION ON THE USE OF FEDERAL FUNDS TO**
5 **PAY STATE AND LOCAL OBLIGATIONS.**

6 (a) IN GENERAL.—Notwithstanding any other provi-
7 sion of law, no Federal funds may be used to purchase
8 or guarantee obligations of, issue lines of credit to, or pro-
9 vide direct or indirect grants-and-aid to, any State govern-
10 ment, municipal government, local government, or county
11 government which, on or after May 1, 2016, has defaulted
12 on its obligations, is at risk of defaulting, or is likely to
13 default, absent such assistance from the United States
14 Government.

15 (b) LIMIT ON USE OF BORROWED FUNDS.—The Sec-
16 retary of the Treasury shall not, directly or indirectly, use
17 general fund revenues or funds borrowed pursuant to title
18 31, United States Code, to purchase or guarantee any
19 asset or obligation of any State government, municipal
20 government, local government, or county government, or
21 otherwise to assist such government entity, if, on or after
22 May 1, 2016, that State government, municipal govern-
23 ment, or county government has defaulted on its obliga-
24 tions, is at risk of defaulting, or is likely to default, absent
25 such assistance from the United States Government.

1 (c) PROHIBITION ON FEDERAL RESERVE ASSIST-
2 ANCE.—Notwithstanding any other provision of law, the
3 Board of Governors of the Federal Reserve System shall
4 not provide or extend to, or authorize with respect to, any
5 State government, municipal government, local govern-
6 ment, county government, or other entity that has taxing
7 authority or bonding authority, any funds, loan guaran-
8 tees, credits, or any other financial instrument or other
9 authority, including the purchasing of the bonds of such
10 State, municipality, locality, county, or other bonding au-
11 thority, or to otherwise assist such government entity
12 under any authority of the Board of Governors.

13 (d) LIMITATION.—Subsections (a) through (c) shall
14 not apply to Federal assistance provided in response to
15 a declared disaster.

16 **SEC. 4. APPLICABILITY.**

17 The prohibition under section 3—

18 (1) includes debt restructuring or any other re-
19 lated activity; and

20 (2) does not include—

21 (A) any discretionary appropriations or di-
22 rect spending, as those terms are defined in
23 section 250(c) of the Balanced Budget and
24 Emergency Deficit Control Act of 1985 (2
25 U.S.C. 900(c)); and

1 (B) any grant awarded by the United
2 States to the State government, municipal gov-
3 ernment, local government, or county govern-
4 ment.