

116TH CONGRESS
1ST SESSION

S. 2120

To prohibit the provision of Federal funds to State and local governments for payment of obligations, to prohibit the Federal Reserve Banks, the Department of the Treasury, and other Federal agencies from financially assisting State and local governments that have defaulted on their obligations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 15, 2019

Mr. YOUNG (for himself, Mr. TOOMEY, and Mr. COTTON) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To prohibit the provision of Federal funds to State and local governments for payment of obligations, to prohibit the Federal Reserve Banks, the Department of the Treasury, and other Federal agencies from financially assisting State and local governments that have defaulted on their obligations, 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 “Government Bailout
5 Prevention Act”.

1 **SEC. 2. DEFINITION.**

2 In this Act, the term “State” means—

3 (1) any of the several States;

4 (2) the District of Columbia; and

5 (3) any territory or possession of the United
6 States.

7 **SEC. 3. PROHIBITION ON THE USE OF FEDERAL FUNDS TO**
8 **PAY OR GUARANTEE STATE AND LOCAL OBLI-**
9 **GATIONS.**

10 (a) IN GENERAL.—Notwithstanding any other provi-
11 sion of law, no Federal funds may be used to purchase
12 or guarantee obligations of, issue lines of credit to, or pro-
13 vide direct or indirect grants-and-aid to, any State govern-
14 ment, municipal government, local government, or county
15 government which, on or after January 1, 2019, has filed
16 for bankruptcy, has defaulted on its obligations, is at risk
17 of defaulting, or is likely to default, absent such assistance
18 from the United States Government.

19 (b) LIMIT ON USE OF BORROWED FUNDS.—The Sec-
20 retary of the Treasury shall not, directly or indirectly, use
21 general fund revenues or funds borrowed pursuant to title
22 31, United States Code, to purchase or guarantee any
23 asset or obligation of any State government, municipal
24 government, local government, or county government, or
25 otherwise to assist such government entity, if, on or after
26 January 1, 2019, that State government, municipal gov-

ernment, or county government has defaulted on its obligations, has filed for bankruptcy, is at risk of defaulting, or is likely to default, absent such assistance from the United States Government.

(c) PROHIBITION ON FEDERAL RESERVE ASSISTANCE.—Notwithstanding any other provision of law, no Federal Reserve Bank may provide or extend to, or authorize with respect to, any State government, municipal government, local government, county government, or other entity that has taxing authority or bonding authority, any funds, loan guarantees, credits, or any other financial instrument, including the purchasing of the bonds of such State, municipality, locality, county, or other bonding authority, or to otherwise assist such government entity under any authority of any Federal Reserve Bank.

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

SEC. 4. APPLICABILITY.

The prohibition under section 3—

- (1) includes debt restructuring or any other related activity; and
- (2) does not include—
 - (A) any discretionary appropriations or direct spending, as those terms are defined in

1 section 250(c) of the Balanced Budget and
2 Emergency Deficit Control Act of 1985 (2
3 U.S.C. 900(c)); and

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

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