

112TH CONGRESS
1ST SESSION

S. 184

To prohibit taxpayer bailouts of fiscally irresponsible State and local governments.

IN THE SENATE OF THE UNITED STATES

JANUARY 25 (legislative day, JANUARY 5), 2011

Mr. ENSIGN introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To prohibit taxpayer bailouts of fiscally irresponsible State and local governments.

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. PROHIBITION ON THE USE OF FEDERAL FUNDS**

4 **TO PAY STATE OBLIGATIONS.**

5 Notwithstanding any other provision of law, no Fed-
6 eral funds may be used to purchase or guarantee obliga-
7 tions of, issue lines of credit to or provide direct or indirect
8 grants-and-aid to, any State government, municipal gov-
9 ernment, local government, or county government which
10 a nationally recognized statistical rating organization has

1 determined has defaulted on its obligations or is likely to
2 default, absent such assistance from the United States
3 Government.

4 **SEC. 2. LIMIT ON USE OF BORROWED FUNDS.**

5 The Secretary shall not, directly or indirectly, use
6 general fund revenues or funds borrowed pursuant to title
7 31, United States Code, to purchase or guarantee any
8 asset or obligation of any State government, municipal
9 government, local government, or county government or
10 to otherwise assist such governments, in any instance in
11 which a nationally recognized statistical rating organiza-
12 tion has determined that the State government, municipal
13 government, local government, or county government has
14 defaulted on its obligations or is likely to default, absent
15 such assistance from the United States Government.

16 **SEC. 3. LIMIT ON FEDERAL RESERVE FUNDS.**

17 The Board of Governors of the Federal Reserve Sys-
18 tem shall not, directly or indirectly, lend against, pur-
19 chase, or guarantee any asset or obligation of any State
20 government, municipal government, local government, or
21 county government or to otherwise assist such govern-
22 ments, in any instance in which a nationally recognized
23 statistical rating organization has determined that the
24 State government, municipal government, local govern-
25 ment, or county government has defaulted on its obliga-

1 tions or is likely to default, absent such assistance from
2 the United States Government.

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