

114TH CONGRESS
2D SESSION

H. R. 5276

To prohibit the provision of Federal funds to State, territory, 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 HOUSE OF REPRESENTATIVES

MAY 18, 2016

Mr. BARR (for himself, Mr. PITTENGER, Mr. STEWART, Mrs. BLACKBURN, Mr. ROKITA, Mr. YODER, Mr. HARRIS, Mr. YOHO, Mr. JENKINS of West Virginia, Mr. MEADOWS, Mr. BRIDENSTINE, Mr. STUTZMAN, Mr. POMPEO, Mr. MULVANEY, Mr. BRAT, Mr. JODY B. HICE of Georgia, Mr. RICE of South Carolina, Mr. BYRNE, Mr. WALKER, Mr. FINCHER, Mr. GROTHMAN, Mr. BABIN, Mr. AUSTIN SCOTT of Georgia, and Mrs. LUMMIS) introduced the following bill; which was referred to the Committee on Oversight and Government Reform, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To prohibit the provision of Federal funds to State, territory, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “No Bailouts for State,
3 Territory, and Local Governments Act”.

4 **SEC. 2. 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-in-aid to any State govern-
10 ment, municipal government, local government, or county
11 government which, on or after January 1, 2013, has filed
12 for bankruptcy, has defaulted on its obligations, is at risk
13 of defaulting, or is likely to default, absent such assistance
14 from the United States Government, if such purchase,
15 guarantee, extension of credit, or grant is made for the
16 purpose of assisting the government in—

17 (1) avoiding defaulting on the payment of prin-
18 cipal or interest due on an obligation of the govern-
19 ment; or

20 (2) curing such a default.

21 (b) **LIMIT ON USE OF BORROWED FUNDS.**—The Sec-
22 retary of the Treasury shall not, directly or indirectly, use
23 general fund revenues or funds borrowed pursuant to title
24 31, United States Code, to purchase or guarantee any
25 asset or obligation of any State government, municipal
26 government, local government, or county government, or

1 otherwise to assist such government entity, if, on or after
2 January 1, 2013, that State government, municipal gov-
3 ernment, or county government has filed for bankruptcy,
4 defaulted on its obligations, is at risk of defaulting, or is
5 likely to default, absent such assistance from the United
6 States Government, if such purchase, guarantee, extension
7 of credit, or grant is made for the purpose of assisting
8 the government in—

9 (1) avoiding defaulting on the payment of prin-
10 cipal or interest due on an obligation of the govern-
11 ment; or

12 (2) curing such a default.

13 (c) PROHIBITION ON FEDERAL RESERVE ASSIST-
14 ANCE.—Notwithstanding any other provision of law, the
15 Board of Governors of the Federal Reserve System shall
16 not provide or extend to, or authorize with respect to, any
17 State government, municipal government, local govern-
18 ment, county government, or other entity that has taxing
19 authority or bonding authority, any funds, loan guaran-
20 tees, credits, or any other financial instrument or other
21 authority, including the purchasing of the bonds of such
22 State, municipality, locality, county, or other bonding au-
23 thority, or to otherwise assist such government entity
24 under any authority of the Board of Governors, if such

1 purchase, guarantee, extension of credit, or grant is made
2 for the purpose of assisting the government in—

3 (1) avoiding defaulting on the payment of prin-
4 cipal or interest due on an obligation of the govern-
5 ment; or

6 (2) curing such a default.

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

10 (e) STATE DEFINED.—For purposes of this section,
11 the term “State” means any of the several States, the Dis-
12 trict of Columbia, and any territory or possession of the
13 United States.

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