

112TH CONGRESS  
1ST SESSION

# S. 251

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

FEBRUARY 1, 2011

Mr. VITTER (for himself, Mr. CRAPO, and Mr. DEMINT) 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 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. PROHIBITION ON THE USE OF FEDERAL FUNDS**

4 **TO PAY STATE AND LOCAL OBLIGATIONS.**

5 (a) IN GENERAL.—Notwithstanding any other provi-  
6 sion of law, no Federal funds may be used to purchase  
7 or guarantee obligations of, issue lines of credit to, or pro-

1 vide direct or indirect grants-and-aid to, any State govern-  
2 ment, municipal government, local government, or county  
3 government which, on or after January 26, 2011, has de-  
4 faulted on its obligations, is at risk of defaulting, or is  
5 likely to default, absent such assistance from the United  
6 States Government.

7 (b) LIMIT ON USE OF BORROWED FUNDS.—The Sec-  
8 retary of the Treasury shall not, directly or indirectly, use  
9 general fund revenues or funds borrowed pursuant to title  
10 31, United States Code, to purchase or guarantee any  
11 asset or obligation of any State government, municipal  
12 government, local government, or county government, or  
13 otherwise to assist such government entity, if, on or after  
14 January 26, 2011, that State government, municipal gov-  
15 ernment, or county government has defaulted on its obli-  
16 gations, is at risk of defaulting, or is likely to default, ab-  
17 sent such assistance from the United States Government.

18 (c) PROHIBITION ON FEDERAL RESERVE ASSIST-  
19 ANCE.—Notwithstanding any other provision of law, the  
20 Board of Governors of the Federal Reserve System shall  
21 not provide or extend to, or authorize with respect to, any  
22 State government, municipal government, local govern-  
23 ment, county government, or other entity that has taxing  
24 authority or bonding authority, any funds, loan guaran-  
25 tees, credits, or any other financial instrument or other

1 authority, including the purchasing of the bonds of such  
2 State, municipality, locality, county, or other bonding au-  
3 thority, or to otherwise assist such government entity  
4 under any authority of the Board of Governors.

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

○