



May 26, 2026

The Honorable Todd Young
United States Senate
Washington, DC 20510

The Honorable Tom Cotton
United States Senate
Washington, DC 20510

Dear Senators Young and Cotton,

On behalf of National Taxpayers Union, the nation's oldest taxpayer advocacy organization, I write to express our strong support for S. 4629, the Government Bailout Prevention Act. This important legislation would help protect taxpayers from being forced to subsidize fiscally irresponsible state and local governments that are heading toward insolvency. By establishing clear safeguards against federal bailouts, this bill promotes fiscal discipline and protects hardworking Americans from assuming the costs of poor financial management at the state and local level. We strongly support this much-needed legislation and urge its swift consideration.

As you know, many state and local governments have spent beyond their means, accumulating unsustainable pension liabilities and making long-term spending commitments they are increasingly unable to finance. Compounding this problem is the implicit expectation that federal taxpayers will ultimately serve as a backstop if these governments face fiscal collapse. That expectation creates a dangerous moral hazard: if policymakers believe Washington will rescue them from the consequences of poor financial stewardship, the incentive to pursue responsible budgeting and structural reforms is significantly weakened.

Many fiscally troubled states and localities are already moving toward insolvency, with combined liabilities estimated at \$6.1 trillion, according to analysis from the Reason Foundation. Illinois, in particular, faces one of the nation's most severe fiscal crises due to years of chronic fiscal mismanagement and unsustainable pension obligations. At the same time, the state continues to experience an outmigration of residents and taxpayers to states with stronger fiscal governance and more sustainable economic policies.

The principle underlying this legislation is fundamentally one of fairness and accountability. Taxpayers in fiscally responsible states should not be compelled to bail out jurisdictions that have repeatedly failed to control spending, rein in debt, or reform unsustainable obligations. Hoosiers, Arkansans, Floridians, Texans, and millions of other Americans living in well-run states should not be forced to subsidize the consequences of irresponsible governance elsewhere.

Specifically, your legislation appropriately prohibits the use of federal funds by the Treasury Department or the Federal Reserve to purchase, guarantee, or otherwise support the obligations of governments that

have defaulted, filed for bankruptcy, or face imminent insolvency. This is a prudent and necessary limitation that protects taxpayers from open-ended liabilities while encouraging states to reform their spending practices.

The Government Bailout Prevention Act is a pro-taxpayer bill that prevents the federal government from being forced to underwrite irresponsible financial decisions made by state and local governments. Again, NTU commends you for introducing this important legislation and we look forward to working with you to help it become law.

Sincerely,

Thomas Aiello
Vice President of Federal Affairs