THE SOURCES OF FUNDING

On November 16, 2016, Illinois voters overwhelmingly approved the “Safe Roads Amendment” to the Illinois Constitution. Going forward, this amendment requires the State to spend all transportation derived taxes and fees exclusively on transportation projects and prohibits diversion of these revenues to fund health care, education programs, social services, or other programs and obligations.

The popularity of this amendment highlights the state’s use of so-called “special funds.” This paper will answer the following questions:

• What are special funds?
• How are special funds created?
• What is a special funds “sweep?”

WHAT ARE SPECIAL FUNDS?

Most state governments utilize special funds, which are intended to restrict use of such funds to the specific purpose for which they were created. In Illinois there are more than 600 special state funds listed under Section 5 of the Illinois Finance Act (Illinois Legislative Reference Bureau, 2017) that support activities ranging from cancer research to environmental protection. Some of the large funds include the Local Government Tax, Hospital Provider, State Lottery, and the Road Fund. In many cases special funds are established for a special cause that might not be funded during the normal budget process. A link to all of the funds (including obscure ones, such as the State Furbearer Fund and the National Wild Turkey Federation Fund) may be found on the non-partisan Truth in Accounting website. (http://www.truthinaccounting.org/).
HOW ARE SPECIAL FUNDS CREATED?
Special funds, for the most part, are established by legislation to ensure that money collected for a specific purpose is used only for that purpose. (Finke, 2017) The Road Fund, for example, collects money from gas taxes, registrations and other license fees to be spent on transportation related expenses, such as road construction, mass transit and airports.

Special funds can be eliminated by an act of the General Assembly, which in recent years has eliminated two dozen special funds. Also, if a special fund has been inactive for 18 months or longer, the fund is automatically terminated by law. (Illinois Legislative Reference Bureau, 2017) For the most part, when a special fund is terminated, the funds are transferred to the General Revenue Fund.

WHAT IS A SPECIAL FUND “SWEEP”?
Because special funds are outside the traditional budget process, legislators’ control of these funds is limited. To gain access to these funds, Illinois governors and legislatures have engaged in what is known in Springfield as a “funds sweep.”

A good example of a funds sweep occurred when Governor Bruce Rauner and the legislature developed the fiscal year (FY) 2015 budget, which covered the period from July 1, 2014 to June 30, 2015. The original FY 2015 budget had been balanced with expenditures equaling anticipated tax revenue and assuming a temporary tax increase would be extended beyond January 1, 2015. Because the tax increase was not extended and expenditures were not reduced to offset lost revenue, the FY 2015 budget was expected to have a huge hole that needed to be filled before June 30, 2015.

Because only the state’s budgeted funds need to be balanced, Gov. Rauner and the legislature addressed the shortfall by authorizing the “sweeping” of cash balances in the non-budgeted special funds, meaning the special funds would transfer money to the budgeted funds. With the transferred receipts, the budgeted funds were balanced.

Proponents of the Safe Roads Amendment advocated for passage of the amendment to prevent special transportation funds from being swept in this manner. Opponents argue that the sweeping of special funds provides the state with flexibility during budget crises. (Garcia, 2016) Others assert that if taxpayers are told funds are going to be used for a specified purpose, then those funds should be used only for that purpose.

CONCLUSION
Adoption of the Safe Roads Amendment represents a backlash to the practice of “sweeping” special funds like the Road Fund to address shortfalls in the state’s annual budget and could presage efforts to protect other such funds. It remains to be seen how implementation of the amendment will affect state budgeting and whether protecting the Road Fund in this manner will translate into more robust capital expenditures for transportation projects in Illinois.

WORKS CITED/FURTHER INFORMATION
For contact information for the governor and your state legislators please go to: http://www.elections.il.gov/districtlocator/addressfinder.aspx