



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB5040

Introduced 2/10/2026, by Rep. Anthony DeLuca

SYNOPSIS AS INTRODUCED:

15 ILCS 405/21.5 new
735 ILCS 5/12-701.5 new

Amends the State Comptroller Act. Prohibits the State Comptroller from withholding, offsetting, or otherwise applying against any debt any funds payable to a unit of local government if those funds are restricted for a specific purpose by federal or State law, county ordinance, or grant agreement. Amends the Code of Civil Procedure. Exempts all funds, revenues, or accounts that are restricted by federal law, State, law, county ordinance, or grant agreement for a specific public purpose from garnishment, attachment, or any other legal process to satisfy a judgment or debt. Effective immediately.

LRB104 15537 WRO 28702 b

1 AN ACT concerning local government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. Legislative findings and policy.

5 (a) The General Assembly finds that the financial
6 stability and operational capacity of units of local
7 government are critical to the public welfare.

8 (b) The General Assembly further finds that certain funds
9 received by local governments are restricted for specific
10 purposes by federal law, State law, county ordinance, or grant
11 agreement. These include tax revenues, that are statutorily
12 earmarked for particular uses, such as motor fuel taxes,
13 dedicated State or federal tax dollars, and county-imposed tax
14 revenues. Garnishment, attachment, or offset of these
15 restricted funds for unrelated debts undermines the public
16 purposes for which they were intended, disrupts essential
17 services, and may jeopardize a local government's eligibility
18 to receive future grants and funding.

19 (c) It is, therefore, declared to be the policy of the
20 State of Illinois to protect restricted local government funds
21 from garnishment, attachment, or offset, except where
22 expressly required by federal law, to ensure their use for
23 their intended public purposes.

1 Section 10. The State Comptroller Act is amended by adding
2 Section 21.5 as follows:

3 (15 ILCS 405/21.5 new)

4 Sec. 21.5. Protection of restricted local government
5 funds.

6 (a) Notwithstanding any other provision of law, the
7 Comptroller shall not withhold, offset, or otherwise apply
8 against any debt any funds payable to a unit of local
9 government if those funds are restricted funds.

10 (b) For the purposes of this Section, "restricted funds"
11 means funds restricted for a specific purpose by federal or
12 State law, county ordinance, or grant agreement, including,
13 but not limited to:

14 (1) Motor Fuel Tax funds disbursed under the Illinois
15 Highway Code.

16 (2) State, county, or federal tax revenues distributed
17 to local governments that are statutorily earmarked for a
18 specific purpose.

19 (3) Tax Increment Financing revenues collected and
20 distributed under the Tax Increment Allocation
21 Redevelopment Act.

22 (4) Grants or awards received from the federal
23 government, another state, or private foundations that are
24 contractually or statutorily restricted for a specific
25 purpose.

1 (5) State grants and distributions allocated to a
2 specific fund or purpose by law.

3 (6) Any other funds designated as restricted under
4 federal or State law or held in trust for a specified
5 public purpose.

6 (c) The Comptroller shall, on an annual basis, publish and
7 maintain a list of categories of funds deemed restricted under
8 this Section.

9 (d) Nothing in this Section shall impair the Comptroller's
10 authority to withhold or offset non-restricted funds, nor
11 shall it limit the enforcement of debts owed to the federal
12 government as required by federal law.

13 Section 15. The Code of Civil Procedure is amended by
14 adding Section 12-701.5 as follows:

15 (735 ILCS 5/12-701.5 new)

16 Sec. 12-701.5. Exemption of restricted local government
17 funds from garnishment.

18 (a) All funds, revenues, or accounts of a unit of local
19 government that are restricted for a specific public purpose
20 by federal law, State law, county ordinance, or grant
21 agreement are exempt from garnishment, attachment, or any
22 other legal process to satisfy a judgment or debt.

23 (b) A court of competent jurisdiction shall not issue a
24 garnishment order against restricted funds as defined in

1 subsection (a) or as identified in Section 21.5 of the State
2 Comptroller Act.

3 (c) This Section does not apply to any collection action
4 undertaken by the federal government pursuant to federal law.

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.