

STATEMENT OF PURPOSE

RS27157

This bill repeals and replaces Section 67-3521, Idaho Code, to change the way an encumbrance is accounted for in the state of Idaho budget process. An approved encumbrance is the carryover of appropriation from one year into the next succeeding year when the service under contract or the item(s) purchased are not able to be paid (liquidated) until the following year. Encumbrances are for specific situations and are not to be used, in general, as a means of carryover.

Current law requires an encumbrance to be reported as an expenditure in the year it was encumbered. This legislation eliminates this adjustment by statutorily allowing the encumbrance to be carried forward into the succeeding fiscal year, which allows actual expenditures to be recorded in the year the encumbrance is liquidated, not encumbered. Further, any unused encumbrance is to revert back to the encumbering fund. Changes in this bill will allow for consistent reporting of agency expenditures and provide more transparency on how agencies are spending their appropriation, and aligns with how the Legislature tracks legislatively-approved reappropriation. Finally, language is included to ensure that encumbrances do not exceed available cash.

The bill does not alter the current statutory requirement that an encumbrance is only permitted for a legally contracted obligation for an accrued liability.

For budgetary purposes, any encumbrance that is approved by the administrator of the Division of Financial Management and cannot be liquidated in the same fiscal year, shall be treated and reported as carryover from one year to the next, and considered as part of the agency's total appropriation. This bill does not provide appropriation authority to the Governor.

FISCAL NOTE

There is no fiscal impact to any fund with passage of this bill. This bill will clarify the technology programming needed for the new statewide accounting and budgeting systems that will be maintained by the Office of State Controller. The new accounting and budgeting system will treat encumbrances the same as legislatively-approved reappropriation.

The change moves the state budget process from a modified cash budgeting system to a cash-based budgeting system. Once implemented, agency accounting personnel and budget staff will save time reconciling actual expenditures to appropriations. Budgetary basis expenditures will be defined as cash expended instead of the combination of cash expended plus encumbrances. The effective date of this legislation is delayed, by one fiscal year, to allow (1) the controller to integrate the necessary programming required with replacing the state's accounting and budgeting system, and (2) to allow agencies to work with their granting partners on cost allocation to ensure that all adjustments are made with various grants and any other agency requirements.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).