

## STATEMENT OF PURPOSE

### RS28213C1 / H0260

This bill makes corrections and establishes consistency of terms used in Idaho Code for the State's budgeting process and financial accounting system. This bill also provides further clarification on Idaho Code §67-3512 dealing with encumbrances at the end of a fiscal year. Implementation of the State Controller's Luma Project to modernize the State's aging business information infrastructure has resulted in the development of standardized budgeting and financial accounting processes and systems. Budgeting and financial structures enacted in Idaho Code have been incorporated into these modernized systems. However, the terms used in the current Idaho Code are not always consistent. Consistent use of budgeting and financial terms will greatly benefit members of the Legislature when writing appropriation bills and creating funds. Consistent terminology will also enhance the Controller's ability to administer state appropriations and funds. This bill creates a new definitions section in Chapter 35, Title 67 (State Budget) and establishes consistent use of terms in Chapter 35 (State Budget), Chapter 12, (State Treasurer), and Chapter 10, (State Controller).

This bill also separates an encumbrance, which occurs for legal obligations throughout the fiscal year, from the process of carrying it forward at the end of the fiscal year. Encumbrances not liquidated before the end of the fiscal year are defined as executive carry forward. Adding this term helps to resolve potential misconceptions and confusion, to distinguish the end-of-year process from an encumbrance, and to explicitly state what is implicit in the current language. Additionally, it provides that liquidation of an executive carry forward shall be recorded as an expenditure only in the fiscal year it is liquidated. These changes allow the process required in the new Luma system to be in-line with Idaho Code.

This bill is a collaborative effort of the Budget & Policy Analysis Divisions of the Legislative Services Office, the Division of Financial Management, and the Office of the State Controller to provide clarity in the appropriations and encumbrance processes.

### FISCAL NOTE

There is no fiscal impact anticipated for the state because there is no requirement for additional expenditures or reductions or increases in revenue. Additionally, there is no fiscal impact to local units of government for the same reasons provided as the impact to the State.

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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).**