

Common fiscal/budgeting terms

Joint Fiscal Office, 1/19/2022

Most term definitions taken from Dept. of Finance and Management Budget and Accounting Glossary
<https://finance.vermont.gov/training-and-support/faqs-and-glossaries/budget-and-accounting-glossary>

- 1. Appropriation** – An authorization granted by the constitution or the legislature to make expenditures or to incur obligations for a specific purpose. An appropriation is usually limited in amount and as to the time when it may be spent, normally calendar or fiscal year.
Example – The capital bill contains an appropriation (authority) of \$2 million to BGS to spend money on a new garage in Rutland. For capital bill appropriations, the Treasurer must issue bonds before the cash is available to spend.
- 2. Allocation** – A part of a lump-sum appropriation which is designated for expenditure by specific organizational units and/or special purposes, activities or objects.
Example – The General Assembly allocates \$500,000 from a new capital projects cash fund towards the \$2 million garage project.
- 3. Transfer** – If the General Assembly decides to fund an initiative from a different funding source then they can direct a transfer, or movement of funds from one account to another. In some cases this may also be called a direct application.
Example – GA makes \$500,000 appropriation to new capital projects cash fund and then transfers money from the General Fund to the new capital projects cash fund so that there is a positive cash balance. This allows for money to be spent from new fund once there is spending authority.
- 4. Obligation** – Amounts that the State may be required legally to meet out of its resources at a particular date.
Example – BGS signs a contract with ABC Construction to build the new garage at a cost of \$1.8 million.
- 5. Encumbrance** – An amount of the available balance of an appropriation earmarked for paying anticipated or known obligations.
Example – While ABC is working on construction, BGS sends a purchase order to a different vendor, Jay’s Tool Barn, to equip the garage with tools, and other equipment at a cost of \$200,000. Once the purchase order is issued then BGS has encumbered the \$200,000.
- 6. Expenditure** – Payments against appropriations that reduce the cash balance after legal requirements have been met. A fiscal year’s expenditures are payments actually made in that fiscal year, regardless of the state fiscal year in which the appropriations were reserved or encumbered for such payments.
Example – Jay’s Tool Barn provides the tools and equipment and BGS pays. The \$200,000 goes from being an encumbrance to an expenditure. Money changes hands.

7. **Carry-Forward** – A portion or total of the unspent balance of an appropriation that is made available for expenditure in the succeeding fiscal year.

Example – Unused funds from the \$2 million garage appropriation in the year of allocation carry-forward into subsequent years until the project is completed or funds are re-allocated by the legislature.