An encumbrance will reserve budget authority so that it cannot be committed for a different purpose. Encumbrances are authorized under s. 16.52(5) Wis. Stat.

Agencies often use blanket purchase orders to reserve part of the appropriation budget to cover an estimate of the amount that will be expended during the year for a certain type of purchase. Creation of a purchase order will result in the encumbering of budget authority.

1. To limit the likelihood of overspending an appropriation’s budget authority agencies are required to encumber funds in those situations where procurement rules require the issuance of a purchase order.

2. Agencies may, at their discretion, encumber other amounts not required under item 1 above.

See sections 04-06 and 04-07 for additional rules regarding carryover of encumbrances from one year to the next and use of budget authority carried over from a previous year through the use of encumbrances.