



HUMAN SERVICES NONLAPSING AND LAPSING BALANCES

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

The Department of Human Services has numerous revenue sources. Not all of these sources are fully spent in any given year. This brief summarizes unused funds at the end of fiscal years resulting either in the funds being: 1) carried forward into the subsequent fiscal year (called *nonlapsing funds*) or 2) returned to the state General Fund (called *lapsing funds*). This brief also provides an eight year history of unspent funds at year-end for the various divisions within the department.

LEGISLATIVE ACTION - OPTIONS FOR CONSIDERATION

This issue brief is for information only.

BACKGROUND

The Department of Human Services has numerous revenue sources. These sources include State General Fund, State restricted funds, federal funds, collections known as *dedicated credits*, and *revenue transfers* such as transfers of federal Medicaid funds from the Department of Health. Not all of these sources are fully spent in any given year. This may result from: 1) timing differences in how expenditures happen, 2) less expenses realized than appropriations provided, or 3) strategic department planning in order to provide itself with excess unobligated funds to use for a reserve or for specific projects. This brief summarizes unused funds at the end of fiscal years resulting either in the funds being: 1) carried forward into the subsequent fiscal year (called *nonlapsing funds*) or 2) returned to the state General Fund (called *lapsing funds*).

HISTORY OF YEAR END NONLAPSING AND LAPSING FUNDS

Table 1 shows an eight year history of year-end nonlapsing and lapsing fund by division within the Department of Human Services:

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Department of Human Services Nonlapsing and Lapsing Funds History										
Division	Type	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Purpose/Explanation
Executive Director Operations	Closing Nonlapsing (All General Fund)	\$ 401,300	\$ 2,339,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<p>FY2007: Non-lapse: \$391,300 for eREP associated enhancement, \$10,000 for Foster Care Citizen Review Board; Lapse: \$150,000 for inter-county-adoptions Licensing funding not used.</p> <p>FY2008: Non-lapse: \$271,000 for eREP associated enhancement, \$2,068,300 for DORA; Lapse: \$114,400 for inter-county-adoptions Licensing funding not used.</p> <p>FY2009: eREP associated funding not used.</p> <p>FY2010 - FY2014: Program funding not used.</p>
	Lapsing Balance (All General Fund)	\$ 150,500	\$ 118,200	\$ 95,300	\$ 606,000	\$ 56,900	\$ 149,800	\$ 16,400	\$ 25,600	
	General/Education Fund	\$ 10,345,200	\$ 15,017,100	\$ 7,410,700	\$ 7,966,600	\$ 7,489,400	\$ 7,107,400	\$ 7,108,500	\$ 7,697,100	
Substance Abuse and Mental Health	Closing Nonlapsing (All General Fund)	\$ 127,000	\$ 283,500	\$ 89,100	\$ 114,700	\$ 249,500	\$ 208,800	\$ 254,800	\$ 294,000	<p>FY2007: Nonlapsing - Unexpended balances in MH Therapist Scholarship and Veteran's Mental Health Counseling. Also \$50,000 authorized for Line Item unexpended balance. Lapsing - \$25,200 to Restricted Fund 1112 and balance of Line Item under expenditures.</p> <p>FY2008: Nonlapsing - Unexpended balances in MH Therapist Scholarship, Veteran's Mental Health Counseling, and State Substance Abuse Services. Lapsing - \$25,100 to Restricted Fund 1112 and Line Item under expenditures (mostly State Hospital).</p> <p>FY2009: Nonlapsing - Drug Courts unexpended balance and \$50,000 authorized for Line Item unexpended balances. Lapsing - \$20,300 to Restricted Fund 1112 and Line Item under expenditures (mostly State Hospital and Children's Outplacement).</p> <p>FY2010: Nonlapsing - Drug Courts and State Substance Abuse Services unexpended balances and \$3,300 for line item unexpended balances. Lapsing - \$31,800 to Restricted Fund 1112 and Line Item under expenditures (mostly State Hospital and Children's Outplacement).</p> <p>FY2011: Nonlapsing - Drug Courts and State Substance Abuse Services unexpended balances. Also \$50,000 authorized for Line Item unexpended balances. Lapsing - \$45,500 to Restricted Fund 1112 and Line Item under expenditures (mostly State Hospital and Children's Outplacement).</p> <p>FY2012: Nonlapsing - Drug Courts and State Substance Abuse Services unexpended balances. Also \$47,100 for Line Item unexpended balances. Lapsing - \$48,800 to Restricted Fund 1112 and no amounts to Unrestricted General Fund (Fund 1000).</p> <p>FY2013: Nonlapsing - Drug Courts and State Substance Abuse Services unexpended balances. Also \$50,000 authorized for Line Item unexpended balances. Lapsing - \$129,800 to Restricted Fund 1112 and Line Item under expenditures (mostly Community Mental Health Services, State Hospital, and DORA).</p> <p>FY2014: Nonlapsing - State Substance Abuse Services unexpended balances. Also \$50,000 authorized for Line Item unexpended balances. Lapsing - \$137,047 to Restricted Fund 1112 and Line Item under expenditures (mostly Community Mental Health Services and State Hospital).</p>
	Lapsing Balance (All General Fund)	\$ 266,300	\$ 809,600	\$ 223,400	\$ 1,810,300	\$ 103,700	\$ -	\$ 236,800	\$ 258,200	
	General/Education Fund	\$ 78,606,900	\$ 87,507,600	\$ 91,398,800	\$ 83,868,200	\$ 80,865,400	\$ 84,745,400	\$ 90,236,000	\$ 95,255,700	
Services for People with Disabilities	Closing Nonlapsing (All General Fund)	\$ 1,849,800	\$ 2,117,800	\$ 2,449,400	\$ 17,500	\$ 73,600	\$ 695,000	\$ 2,717,400	\$ 6,676,200	<p>One-time savings from building block appropriations and one-time savings from attrition.</p> <p>FY2014: The closing nonlapsing balance was higher at the end of FY2014 due to delays in receiving services. The average time for someone to receive service after coming off the waiting list has more than double between FY 13 and FY 14. This delay causes a build-up of one-time funds. It is believed that the cause of this delay is the lack of provider capacity due to low average wages for direct services workers. A rate increase is included in the Governor's budget. The funds are used according to statute (62A-5-102 (7) and legislative intent.</p> <p>For FY 2009, DSPD collected more ARRA than appropriated. The Division lapsed General Fund in an amount that equaled that additional ARRA collection.</p>
	Lapsing Balance (All General Fund)	\$ 100	\$ 100	\$ 1,339,400	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	
	General/Education Fund	\$ 52,147,600	\$ 55,749,800	\$ 47,338,200	\$ 36,043,900	\$ 44,835,600	\$ 57,517,600	\$ 65,863,900	\$ 69,553,200	
Office of Recovery Services	Closing Nonlapsing (All General Fund)	\$ 8,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<p>In 2006, Legislature Intent language in SB4 stated that funds appropriated to ORS for eREP-related enhancements were nonlapsing. Of the \$37,400 appropriated, \$8,200 were non-lapsing at the end of the year.</p> <p>All lapsing balances are General Fund. In most years, there is a fairly insignificant amount lapsing that is just due to coming in as close to the budgeted amount as possible. In FY 2011, ORS was able to cut its budget much faster than anticipated and still had ARRA funds available. Use of the ARRA funds was maximized in lieu of General Fund, and the remaining unused 1.5 million was allowed to lapse back to the General Fund.</p>
	Lapsing Balance (All General Fund)	\$ 800	\$ 1,700	\$ 1,200	\$ 1,700	\$ 1,503,300	\$ 1,900	\$ 3,000	\$ 100	
	General/Education Fund	\$ 12,450,900	\$ 15,005,200	\$ 15,722,400	\$ 13,201,400	\$ 13,709,100	\$ 12,692,400	\$ 12,535,400	\$ 12,733,900	

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Division	Type	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Purpose/Explanation
Child and Family Services	Closing Nonlapsing (All General Fund)	\$ 6,610,900	\$ 5,550,200	\$ 5,271,000	\$ 3,764,200	\$ 7,809,300	\$ 7,254,000	\$ 5,690,500	\$ 134,500	There are three main reasons that contribute to Non-lapsing balances. First, the amount of Dedicated Credits and Federal Funds the division receives. Per the Budgetary Procedures Act these must be spent first. Next, employee turnover can have a big impact on Non-lapsing balances. Sometimes economic factors outside the division's control contribute to turnover. Lastly, client counts may be lower than originally projected at the time the request is done. Historically, the division has kept a high Non-lapsing balance as a buffer for the fluctuations that can come from fewer Federal dollars, low turnover, or higher client counts. In addition, when the division has opportunities such as the Title IV-E Waiver or expanding In-Home services the Non-lapsing balances allows the division the flexibility needed to ramp up services and hire staff needed for a successful launch. FY2014: To address concerns with employee morale, DCFs instituted a practice of hiring employees in anticipation of turnover. This allowed the division to have their employees fully trained before moving them into the field and improved retention. The practice was continued as funding allowed.
	Lapsing Balance (All General Fund)	\$ 37,400	\$ 100	\$ 978,700	\$ 7,438,800	\$ -	\$ -	\$ -	\$ 27,700	Lapsing funds usually come from Appropriation Units that don't have Non-lapsing authority (FY 2007 - FY 2009). With the unbundling change starting in FY 2011, more General Fund was given so a large lapsing balance occurred. From FY 2011 forward, all unexpended funds became Non-lapsing for purposes mentioned above.
	General/Education Fund	\$ 92,747,200	\$ 98,314,500	\$ 95,067,500	\$ 91,554,600	\$ 112,714,700	\$ 101,635,800	\$ 104,199,800	\$ 106,940,400	
Aging and Adult Services	Closing Nonlapsing (All General Fund)	\$ 98,800	\$ -	\$ -	\$ -	\$ 8,900	\$ -	\$ -	\$ 230,500	In FY07, DAAS was granted \$100,000 non-lapsing authority (2007GS, SB1). These funds were given to individual Area Agencies by the State Board of Aging through a competitive application process. In regards to FY11, \$8,900 in non-lapsing authority was granted (2011GS, HB3) and was limited to lease expenditures. FY2014: Closing nonlapsing in FY14 DAAS was granted \$230,500 non-lapsing authority \$213,500 is to be used for client services for the Aging Waiver consistent with the requirements found at UCA 63J-1-603(3)(b). \$17,000 is to be used for Adult Protective Services for the purchase of computer equipment and software, capital equipment or improvements, equipment or supplies consistent with the requirements found at UCA 63J-1-603.
	Lapsing Balance (All General Fund)	\$ -	\$ 75,900	\$ 7,400	\$ 270,300	\$ 288,200	\$ 58,200	\$ 63,200	\$ 100	In FY11, DAAS lapsed \$20,900 from Fund 1115 Restricted Revenue related to the Alzheimer's Task Force. All other lapsing balances mainly originated from the Aging Waiver, Aging Alternatives, and Adult Protective Services (APS) programs. For the Aging Waiver and Alternatives programs, most of the funds are passed through to the local Area Agencies on Aging. The lapsing balances are likely attributed to timing of attrition and the time it takes to bring an individual on to services. The APS non-lapsing balances are mainly attributed to turnover savings. FY2014: The \$100 lapsing balance is due to a rounding error. Any FY14 unexpended funds are to be used for the intended purpose as explained in the cell above. Unexpended funds mainly originate from the Aging Waiver, Aging Alternatives, and Adult Protective Services (APS) programs.
	General/Education Fund	\$ 13,234,100	\$ 14,229,200	\$ 12,850,400	\$ 12,461,400	\$ 12,342,700	\$ 12,421,300	\$ 12,767,500	\$ 13,012,800	
Human Services	Closing Nonlapsing	\$ 9,096,000	\$ 10,290,800	\$ 7,809,500	\$ 3,896,400	\$ 8,141,300	\$ 8,157,800	\$ 8,662,700	\$ 7,335,200	
	Lapsing Balance	\$ 455,100	\$ 1,005,600	\$ 2,645,400	\$ 10,127,200	\$ 1,952,200	\$ 210,000	\$ 319,500	\$ 311,800	
	General/Education Fund	\$ 259,531,900	\$ 285,823,400	\$ 269,788,000	\$ 245,096,100	\$ 271,956,900	\$ 276,119,900	\$ 292,711,100	\$ 305,193,100	

Table 1