

MINUTES OF THE Senate COMMITTEE ON Governmental Organization

The meeting was called to order by Senator Vidricksen at  
Chairperson

1:43 ~~xxx~~/p.m. on February 23, 1983 in room 531N of the Capitol.

All members were present except:

Senator Gaines

Committee staff present:

Norm Furse - Revisor  
Julian Efird - Legislative Research

Conferees appearing before the committee:

Senator Bogina  
John B. Kemp - Kansas Department of Transportation  
Robert Haley - Kansas Department of Transportation

Senator Bogina appeared before the committee on behalf of Senate Bill 160 to request one common place to publish information for notification of bids and purchases rather than in several papers all over the state. After some discussion the committee turned its attention to another bill of Senator Bogina's, Senate Bill 159, concerning capital improvement projects for buildings or major repairs or improvements. A motion was made by Senator Johnston to amend line 32 to read "...Prior to the solicitation of bids for..." as suggested by Senator Bogina. This was seconded by Senator Meyers and motion carried.

Senator Gaar then made a motion to change the requirement for publication in the statute book to the Kansas Register. This was seconded by Senator Hein; motion carried.

Senator Francisco made the motion to pass Senate Bill 159 as amended. Senator Mulich seconded this. Motion carried.

Mr. John Kemp then introduced Robert Haley who distributed testimony and Tables explaining a reported \$48.2 million accounting error. There was much discussion and no action was taken on Senate Bill 40. (Exhibit A)

A motion to approve the minutes of the February 17 and February 22 meetings was made by Senator Mulich. This was seconded by Senator Hein. Motion carried.

The Chairman welcomed a group of high school government students from "Closeup" and the meeting was adjourned at 2:43 p.m.

GUEST LIST

COMMITTEE: Senate Governmental Organization DATE: Feb. 23, 1983

NAME	ADDRESS	COMPANY/ORGANIZATION
Robert Huley		HOOT
KEVIN K. NUNNINK	303 E. POPLAR OLATHIE, KS	KEVIN K. NUNNINK ASSOC INC
Dan Watkins	St. Office Bldg.	KDOT
John B. Kemp	" " "	KDOT
A. BOGUNA JR		SENATOR 10TH DIST
Jon Josseland	Topeka	Secretary of State
Carol Bell	Topeka	Secretary of State

EXHIBIT A

*Kansas Department of Transportation*

February 23, 1983

TO: SENATE GOVERNMENTAL ORGANIZATION COMMITTEE

FROM: KANSAS DEPARTMENT OF TRANSPORTATION

RE: REPORTED \$48.2 MILLION ACCOUNTING ERROR

The Legislative Division of Post Audit issued its Sunset Audit Report of the Kansas Department of Transportation September, 1982. Included in that report, Post Audit made the following statement:

"An Accounting Error increased estimated revenues by \$48.2 million. The State Freeway Fund has a separate account where money is placed to be invested. The Department incorrectly treated some transfers into this investment account as negative revenues. Apparently the error was discovered after staff members questioned the size of the negative revenue amount."

Post Audit made their analysis on selected FY 1982 Estimate categories of receipts, primarily transfers in the State Highway Fund, State Freeway Construction Fund, and State Freeway Fund. The source information for Post Audit's analysis was the agency's "Resource Estimate by Fund" included in the FY 1983 Budget document submitted in October 1981 and February 1982.

However, when an analysis is made of the "Resource Estimate By Fund" all categories; Receipts, Transfers, Non Revenue Receipts, Non-Reportable Expenditures and Reportable Expenditures must be reviewed in total to determine the true meaning of any one of the categories. This is particularly true when the State Freeway Construction Fund and State Freeway Fund are examined. This is critical because the interaction between invested funds and active funds (State Treasurer) and the recording of Invested Funds Transactions. (Much of this interaction and action is recorded in the Non Reportable Expenditures category.) The October 1981 Edition of the Budget set forth net information in the transfer category whereas the February 1982 document isolated the transfer category from the Non Reportable Expenditure category and identified the components. Agency management made the determination that the budget should follow the same format as the historical accounting information.

In consideration of above comments the "Balance Forward" line must be the guide in determining the fund difference between the 2 editions of the budget. Table 1 references the State Highway Fund, State Freeway Construction Fund and State Freeway Fund. Tables 2, 3, and 4 refer to the State Freeway Fund only.

**Table 1** sets forth category and components used by Post Audit to arrive at \$48.2 million dollar increase in revenue. The difference between the two editions of the budget for the State Freeway Construction Fund and the State Highway Fund were caused by updated estimates. Some of the updated estimates were a result of knowledge of the Governor's recommendations, (i.e., transfer to Highway Patrol, Department of Revenue, etc.). Other items were updated since approximately seven months of the fiscal year had passed. The net change of these two funds resulted in an estimated revenue increase of \$170,677.

The third portion of Table 1, State Freeway Fund, will be discussed in the tables and narrative that follows. The State Freeway Fund revenue increase, provided that only the items on this table are considered, is \$48,054,941.

Table 2 compares all categories and components of the State Freeway Fund "Resource Estimate by Fund". The focus of this table is column 2 and 3 representing the "Net" Budget (1-81) and the "itemized" budget (2-82). Column 2 reflects the traditional format used in preparing the "Resource Estimate by Fund". Column 3 itemized the categories and components and aligns itself with column 1 - FY 1981 Actuals. The change was made to display in the budget document, as closely as possible, the transactions as shown in the accounting records. Even though the structure changed, the "Balance Forward" line difference between the two editions is only \$1,280,000.

The highlighted categories and components in Table 2 and Tables 3 and 4 are the State Freeway Fund items considered in Legislative Post Audit's Analysis.

Table 3 reflects the impact of the February, 1982 edition of the Budget on the categories and components of the October, 1981 edition of the Budget. The change resulted from re-estimating earnings from the various Invested funds, and updating Motor Fuel Tax Receipts consistent with the Latest Consensus Estimate Committee Estimate.

Table 4 illustrates the component changes in the structure from the adjusted October 1981 structure to the February 1982 Budget. The majority of these changes result from interaction and action of the Invested Funds transactions.

TABLE 1  
LEGISLATIVE POST AUDIT  
WORKSHEET ON  
"ACCOUNTING ERROR"

Fund/Item	Budget 10-81 FY 82 Est.	Budget 2-82 FY 82 Est.	Diff.	Updated Estimate	Changes Discussed in Remainder of Report
<u>State Freeway Constuction Fund</u>					
Transfer Interest to Freeway Fd.	<10,458,000>	<11,706,000>	<1,248,000>	<1,248,000>	0
<u>State Highway Fund</u>					
Sale of Bldgs.	62,000	62,000	0	0	0
Insurance Reimb.	190,000	190,000	0	0	0
Recovery of Exp.	148,000	148,000	0	0	0
Refund of Advances	1,000	1,000	0	0	0
Reimbmt's from other Agencies	1,300	1,300	0	0	0
Subtotal	402,300	402,300	0	0	0
Transfers:					
Mtr. Carrier Fees	2,585,000	2,585,000			
Cntrl. Mtr. Pool	185,000	179,000	< 6,000>	< 6,000>	0
Park Roads	0	325,000	325,000	325,000	0
Highway Patrol	<14,774,385>	<15,007,706>	< 233,321>	< 233,321>	0
Dept. of Revenue	<13,116,334>	<11,805,480>	1,310,854	1,310,854	0
St. Gen. Fund (Purch.)	< 81,537>	< 81,531>	6	6	0
St. Gen. Fund (Ports)	< 1,552,992>	< 1,530,854>	22,138	22,138	0
Freeway Fund	<20,394,521>	<20,394,521>	0	0	0
Subtotal	<47,149,769>	<45,731,092>	1,418,677	1,418,677	0
Total State Highway Fund	<46,747,469>	<45,328,792>	1,418,677	1,418,677	0
<u>State Freeway Fund</u>					
Investment Book Value	<20,394,521>	<20,394,521>	0	0	0
Transfers:					
Fuel Taxes	<15,000,000>	0	15,000,000		15,000,000
Earnings on SHF	< 3,399,000>	3,750,000	7,149,000		7,149,000
Earnings on SFCF	<10,458,000>	11,706,000	22,164,000		22,164,000
Earnings on SFF	< 7,927,000>	0	7,927,000		7,927,000
Cash to Sinking Fund	24,579,580	0	<24,579,580>		<24,579,580>
To/From Hwy. Fund	0	20,394,521	20,394,521		20,394,521
Subtotal	<12,204,420>	35,850,521	48,054,941		48,054,941
Non Reportable Exp.	20,394,521	20,394,521	0		0
Total State Freeway Fund	<12,204,420>	35,850,521	0		0
Total	<69,409,889>	<21,184,271>	48,225,618	170,677	48,054,941

TABLE 2  
KDOT COMPARISON OF  
STATE FREEWAY FUND - RESOURCE  
ESTIMATE BY FUND

	(DA 404 worksheet) FY 1981 Actual	(DA 404) Budget 10-81 FY 82 Est.	(DA 404) Budget / 2-82 FY 82 Est.	Difference Budget 10-81 to Budget 2-82
Reappropriation	972,435	1,610,760	1,610,760	0
Net Receipts				
Fuel Taxes	17,425,680	15,940,000	17,422,000	1,482,000
Interest Income				
SHF	-	3,399,000	-	<3,399,000>
SFF	10,506,382	7,927,000	8,205,000	278,000
SFCF	-	10,458,000	-	<10,458,000>
Gain/Loss	<2,397,458>	<2,000,000>	-	2,000,000
Invest. Book Value	20,000,000	<20,394,521>	<20,394,521>	0
Subtotal	45,534,604	15,329,479	5,232,479	<10,097,000>
Transfers				
To Investments:				
Fuel Taxes	-	<15,000,000>	-	15,000,000
Earnings on SHF	9,326,686	<3,399,000>	3,750,000	7,149,000
Earnings on SFCF	14,934,840	<10,458,000>	11,706,000	22,164,000
Earnings on SFF	-	<7,927,000>	-	7,927,000
Cash to Sinking Fd.	-	24,579,580	-	<24,579,580>
To/From Hwy. Fund	<20,000,000>	-	20,394,521	20,394,521
Subtotal	4,261,526	<12,204,420>	35,850,521	48,054,941
Other Non-Revenue Rec.	<20,000,000>	20,394,521	20,394,521	0
Net Total Receipts	29,796,130	23,519,580	61,477,521	37,957,941
Total Available	30,768,565	25,130,340	63,088,281	37,957,941
Non Reportable Expenditures				
State Freeway Fund				
Cash from St.Trea.	26,946,059	0	21,172,000	21,172,000
Cash from FCF	14,934,840	0	11,706,000	11,706,000
SFF (Interest)	8,097,941	0	8,205,000	8,205,000
Gain/Loss	<2,697,738>	0	0	0
Cash to St.Trea.	<20,000,000>	0	20,394,521	20,394,521
Mgr. Fiscal				
Paying Agent	<100,595>	0	<171,000>	<171,000>
Cash to Sink.Fd.	<22,883,619>	0	<24,579,580>	<24,579,580>
Sinking Fund				
Interest Income	1,507,319	0	0	0
Principal Debt Payment	<10,850,000>	0	<11,165,000>	<11,165,000>
Interest Payment	<13,955,730>	0	<13,414,580>	<13,414,580>
Cash from FF	22,883,619	0	24,579,580	24,579,580
Gain/Loss	300,280	0	0	0
Reimburse Hwy.Fd.	47,006	0	50,000	50,000
Subtotal Non-Rept.	4,229,382	0	36,776,941	36,776,941
Reportable Expend.	24,928,427	24,849,580	24,750,580	<99,000>
Balance Forward	*1,610,760	280,760	1,560,760	1,280,000

\*Number will not add due to rounding.

TABLE 3  
STATE FREEWAY FUND  
UPDATE ESTIMATE

	(DA 404) Budget 10-81 FY 82 Est.	Difference in Estimates	Adjusted FY 1982 Est. 10-82 Structure
Reappropriation	1,610,760	0	1,610,760
Net Receipts:			
Fuel Taxes	15,940,000	1,482,000	17,422,000
Interest Income			
State Highway Fund	3,399,000	351,000	3,750,000
State Freeway Fund	7,927,000	278,000	8,205,000
State Freeway Constr. Fund	10,458,000	1,248,000	11,706,000
Gain/Loss	<2,000,000>	2,000,000	0
Investment Book Value	<20,394,521>	0	<20,394,521>
Subtotal	15,329,479	5,359,000	20,688,479
Transfers:			
Fuel Taxes	<15,000,000>	<2,422,000>	<17,422,000>
Earnings on SHF	<3,399,000>	<351,000>	<3,750,000>
Earnings on SFCF	<10,458,000>	<1,248,000>	<11,706,000>
Earnings on SFF	<7,927,000>	<278,000>	<8,205,000>
Cash to Sinking Fund	24,579,580	0	24,579,580
Subtotal	<12,204,420>	<4,299,000>	<16,503,420>
Other Non Revenue Rec.	20,394,521	0	20,394,521
Net Total Receipts	23,519,580	1,060,000	24,579,580
Total Available	25,130,340	1,060,000	26,190,340
Non Reportable Expenditures	0	0	0
Reportable Expenditures	24,849,580	<99,000>	24,750,580
Balance Forward	280,760	1,159,000	1,439,760

TABLE 4  
STATE FREEWAY FUND  
CATEGORY ADJUSTMENTS

	Adjusted FY 82 Est. <u>10-81 Structure</u>	(DA 404) Budget 2-82 <u>FY 82 Est.</u>
Reappropriation	1,610,760	1,610,760
Net Receipts:		
Fuel Taxes	17,422,000	17,422,000
Earnings on SHF	3,750,000	-
Earnings on SFF	8,205,000	8,205,000
Earnings on SFCF	11,706,000	-
Gain/Loss	-	-
Invest. Book Value	<20,394,521>	<20,394,521>
Subtotal	20,688,479	5,232,479
Transfers:		
To Investments:		
Fuel Taxes	<17,422,000>	
Earnings on SHF	<3,750,000>	3,750,000
Earnings on SFCF	<11,706,000>	11,706,000
Earnings on SFF	<8,205,000>	-
Cash to Sinking Fd.	24,579,580	-
To/From Hw. Fund	-	20,394,521
Subtotal	<16,503,420>	35,850,521
Other Non-Revenue Receipts	20,394,521	20,394,521
Net Total Receipts	24,579,580	61,477,521
Total Available	26,190,340	63,088,281
Non Reportable Expenditures		
State Freeway Fund		
Cash from St. Treas.	-	21,172,000
Cash from FCF	-	11,706,000
SFF (Interest)	-	8,205,000
Gain/Loss	-	-
Cash to St. Trea.	-	20,394,521
Mgr. Fiscal Paying Agent	-	<171,000>
Cash to Sink. Fd.	-	<24,579,580>
Sinking Fund		
Interest Income	-	-
Principal Debt Payment	-	<11,165,000>
Interest Payment	-	<13,414,580>
Cash from FF	-	24,579,580
Gain/Loss	-	0
Reimburse Hwy. Fd.	-	50,000
Subtotal Non-Rept.	-	36,776,941
Reportable Expend.	24,750,580	24,750,580
Balance Forward	1,439,760	1,560,760



TABLE A  
 REPORTED DOUBLE COUNTING \$9.9 MILLION  
 INVESTMENT EARNINGS

Fund/Item	Budget 10-81 FY 82 Est.	Budget 2-82 FY 82 Est.	Diff.	Difference Change in Estimate	Difference Change in Format
<u>State Freeway Constuction Fund</u>					
Investment Income	10,458,000	11,706,000	1,248,000	1,248,000	-
Gain or Loss on Inv.	<500,000>	-	500,000	500,000	-
Subtotal	<u>9,958,000</u>	<u>11,706,000</u>	<u>1,748,000</u>	<u>1,748,000</u>	<u>-</u>
<u>State Freeway Fund</u>					
Interest Income					
SHF	3,399,000	-	<3,399,000>	-	<3,399,000>
SFF	7,927,000	8,205,000	278,000	278,000	-
SFCF	10,458,000	-	<10,458,000>	-	<10,458,000>
Gain or Loss on Inv.	<2,000,000>	-	2,000,000	2,000,000	-
Subtotal	<u>19,784,000</u>	<u>8,205,000</u>	<u>&lt;11,579,000&gt;</u>	<u>2,278,000</u>	<u>&lt;13,857,000&gt;</u>
Total Earnings	<u>29,742,000</u>	<u>19,911,000</u>	<u>&lt;9,831,000&gt;</u>	<u>4,026,000</u>	<u>&lt;13,857,000&gt;</u>

TABLE B  
KDOT COMPARISON OF  
STATE FREEWAY FUND - RESOURCE  
ESTIMATE BY FUND

	(DA 404 worksheet) FY 1981 Actual	(DA 404) Budget 10-81 FY 82 Est.	(DA 404) Budget 2-82 FY 82 Est.	Difference Budget 10-81 to Budget 2-82
Reappropriation	972,435	1,610,760	1,610,760	0
Net Receipts				
Fuel Taxes	17,425,680	15,940,000	17,422,000	1,482,000
Interest Income				
SHF	-	3,399,000	-	<3,399,000>
SFF	10,506,382	7,927,000	8,205,000	278,000
SFCF	-	10,458,000	-	<10,458,000>
Gain/Loss	<2,397,458>	<2,000,000>	-	2,000,000
Invest. Book Value	20,000,000	<20,394,521>	<20,394,521>	0
Subtotal	45,534,604	15,329,479	5,232,479	<10,097,000>
Transfers				
To Investments:				
Fuel Taxes	-	<15,000,000>	-	15,000,000
Earnings on SHF	9,326,686	<3,399,000>	3,750,000	7,149,000
Earnings on SFCF	14,934,840	<10,458,000>	11,706,000	22,164,000
Earnings on SFF	-	<7,927,000>	-	7,927,000
Cash to Sinking Fd.	-	24,579,580	-	<24,579,580>
To/From Hwy. Fund	<20,000,000>	-	20,394,521	20,394,521
Subtotal	4,261,526	<12,204,420>	35,850,521	48,054,941
Other Non-Revenue Rec.	<20,000,000>	20,394,521	20,394,521	0
Net Total Receipts	29,796,130	23,519,580	61,477,521	37,957,941
Total Available	30,768,565	25,130,340	63,088,281	37,957,941
Non Reportable Expenditures				
State Freeway Fund				
Cash from St.Trea.	26,946,059	0	21,172,000	21,172,000
Cash from FCF	14,934,840	0	11,706,000	11,706,000
SFF (Interest)	8,097,941	0	8,205,000	8,205,000
Gain/Loss	<2,697,738>	0	0	0
Cash to St.Trea.	<20,000,000>	0	20,394,521	20,394,521
Mgr. Fiscal				
Paying Agent	<100,595>	0	<171,000>	<171,000>
Cash to Sink.Fd.	<22,883,619>	0	<24,579,580>	<24,579,580>
Sinking Fund				
Interest Income	1,507,319	0	0	0
Principal Debt Payment	<10,850,000>	0	<11,165,000>	<11,165,000>
Interest Payment	<13,955,730>	0	<13,414,580>	<13,414,580>
Cash from FF	22,883,619	0	24,579,580	24,579,580
Gain/Loss	300,280	0	0	0
Reimburse Hwy.Fd.	47,006	0	50,000	50,000
Subtotal Non-Rept.	4,229,382	0	36,776,941	36,776,941
Reportable Expend.	24,928,427	24,849,580	24,750,580	<99,000>
Balance Forward	*1,610,760	280,760	1,560,760	1,280,000

\*Number will not add due to rounding.

TABLE C  
STATE FREEWAY FUND  
UPDATE ESTIMATE

	(DA 404) Budget 10-81 FY 82 Est.	Difference in Estimates	Adjusted FY 1982 Est. 10-82 Structure
Reappropriation	1,610,760	0	1,610,760
Net Receipts:			
Fuel Taxes	15,940,000	1,482,000	17,422,000
Interest Income			
State Highway Fund	3,399,000	351,000	3,750,000
State Freeway Fund	7,927,000	278,000	8,205,000
State Freeway Constr. Fund	10,458,000	1,248,000	11,706,000
Gain/Loss	<2,000,000>	2,000,000	0
Investment Book Value	<20,394,521>	0	<20,394,521>
Subtotal	<u>15,329,479</u>	<u>5,359,000</u>	<u>20,688,479</u>
Transfers:			
Fuel Taxes	<15,000,000>	<2,422,000>	<17,422,000>
Earnings on SHF	<3,399,000>	<351,000>	<3,750,000>
Earnings on SFCF	<10,458,000>	<1,248,000>	<11,706,000>
Earnings on SFF	<7,927,000>	<278,000>	<8,205,000>
Cash to Sinking Fund	24,579,580	0	24,579,580
Subtotal	<u>&lt;12,204,420&gt;</u>	<u>&lt;4,299,000&gt;</u>	<u>&lt;16,503,420&gt;</u>
Other Non Revenue Rec.	20,394,521	0	20,394,521
Net Total Receipts	<u>23,519,580</u>	<u>1,060,000</u>	<u>24,579,580</u>
Total Available	<u>25,130,340</u>	<u>1,060,000</u>	<u>26,190,340</u>
Non Reportable Expenditures	0	0	0
Reportable Expenditures	24,849,580	<99,000>	24,750,580
Balance Forward	<u>280,760</u>	<u>1,159,000</u>	<u>1,439,760</u>

**TABLE D  
STATE FREEWAY FUND  
CATEGORY ADJUSTMENTS**

	Adjusted FY 82 Est. <u>10-81 Structure</u>	(DA 404) Budget 2-82 <u>FY 82 Est.</u>
Reappropriation	1,610,760	1,610,760
Net Receipts:		
Fuel Taxes	17,422,000	17,422,000
Earnings on SHF	3,750,000	-
Earnings on SFF	8,205,000	8,205,000
Earnings on SFCF	11,706,000	-
Gain/Loss	-	-
Invest. Book Value	<20,394,521>	<20,394,521>
Subtotal	<u>20,688,479</u>	<u>5,232,479</u>
Transfers:		
To Investments:		
Fuel Taxes	<17,422,000>	
Earnings on SHF	<3,750,000>	3,750,000
Earnings on SFCF	<11,706,000>	11,706,000
Earnings on SFF	<8,205,000>	-
Cash to Sinking Fd.	24,579,580	-
To/From Hw. Fund	-	20,394,521
Subtotal	<u>&lt;16,503,420&gt;</u>	<u>35,850,521</u>
Other Non-Revenue Receipts	20,394,521	20,394,521
Net Total Receipts	<u>24,579,580</u>	<u>61,477,521</u>
Total Available	<u>26,190,340</u>	<u>63,088,281</u>
Non Reportable Expenditures		
State Freeway Fund		
Cash from St. Treas.	-	21,172,000
Cash from FCF	-	11,706,000
SFF (Interest)	-	8,205,000
Gain/Loss	-	-
Cash to St. Trea.	-	20,394,521
Mgr. Fiscal Paying Agent	-	<171,000>
Cash to Sink. Fd.	-	<24,579,580>
Sinking Fund		
Interest Income	-	-
Principal Debt Payment	-	<11,165,000>
Interest Payment	-	<13,414,580>
Cash from FF	-	24,579,580
Gain/Loss	-	0
Reimburse Hwy. Fd.	-	50,000
Subtotal Non-Rept.	<u>-</u>	<u>36,776,941</u>
Reportable Expend.	<u>24,750,580</u>	<u>24,750,580</u>
Balance Forward	<u>1,439,760</u>	<u>1,560,760</u>