

**HOUSE BILL No. 2400**

By Committee on Taxation

3-5

1 AN ACT repealing the local ad valorem tax reduction fund and  
2 authorization for transfers and payments thereto; amending K.S.A. 65-  
3 163j, 65-3306, 65-3327 and 79-2965 and K.S.A. 2014 Supp. 74-8768,  
4 75-2556 and 79-1479 and repealing the existing sections; also repealing  
5 K.S.A. 19-2694, 79-2960, 79-2961 and 79-2962 and K.S.A. 2014 Supp.  
6 79-2959.

7

8 *Be it enacted by the Legislature of the State of Kansas:*

9 Section 1. K.S.A. 65-163j is hereby amended to read as follows: 65-  
10 163j. (a) The dedicated source of revenue for repayment of a loan to a  
11 municipality may include service charges, connection fees, special  
12 assessments, property taxes, grants or any other source of revenue lawfully  
13 available to the municipality for such purpose. In order to ensure  
14 repayment by municipalities of the amounts of loans provided under this  
15 act, the secretary, after consultation with the governing body of any  
16 municipality which receives a loan, may adopt charges to be levied against  
17 individuals and entities served by the project. Any such charges shall  
18 remain in effect until the total amount of the loan, and any interest thereon,  
19 has been repaid. The charges shall, insofar as is practicable, be equitably  
20 assessed and may be in the form of a surcharge to the existing charges of  
21 the municipality. The governing body of any municipality which receives a  
22 loan under this act shall collect any charges established by the secretary  
23 and shall pay the moneys collected therefrom to the secretary in  
24 accordance with procedures established by the secretary.

25 ~~(b) Upon the failure of a municipality to meet the repayment terms~~  
26 ~~and conditions of the agreement, the secretary may order the treasurer of~~  
27 ~~the county in which the municipality is located to pay to the secretary such~~  
28 ~~portion of the municipality's share of the local ad valorem tax reduction~~  
29 ~~fund as may be necessary to meet the terms of the agreement,~~  
30 ~~notwithstanding the provisions of K.S.A. 79-2960 and 79-2961, and~~  
31 ~~amendments thereto. Upon the issuance of such an order, the municipality~~  
32 ~~shall not be required to make the tax levy reductions otherwise required by~~  
33 ~~K.S.A. 79-2960 and 79-2961, and amendments thereto.~~

34 ~~(e)~~ Municipalities which are provided with loans under this act shall  
35 maintain project accounts in accordance with generally accepted  
36 government accounting standards.

1       ~~(d)~~(c) Any loans received by a municipality under the provisions of  
2 this act shall be construed to be bonds for the purposes of K.S.A. 10-1116  
3 and 79-5028, and amendments thereto, and the amount of such loans shall  
4 not be included within any limitation on the bonded indebtedness of the  
5 municipality.

6       Sec. 2. K.S.A. 65-3306 is hereby amended to read as follows: 65-  
7 3306. The secretary's annual request for appropriations to the water  
8 pollution control account shall be based on an estimate of the fiscal needs  
9 for the ensuing budget year, less any amounts received by the secretary  
10 from any public or private grants or contributions and moneys in such  
11 account shall be used solely for the purposes provided for by this act.  
12 Moneys allocated to a municipality shall be encumbered as an expenditure  
13 of this account upon the formal letting of a contract for the improvement  
14 notwithstanding the date on which actual payment is made of the state  
15 financial assistance. Any municipality may contribute moneys to the state  
16 water pollution control account. If there are no uncommitted or  
17 unencumbered moneys in the water pollution control account, any  
18 municipality applying for any water pollution control project as defined in  
19 K.S.A. 65-3302, *and amendments thereto*, shall as a condition of such  
20 application certify in writing to the secretary that a contribution in the  
21 amount of ~~twenty-five percent (25%)~~ 25% of the eligible cost of such  
22 project will be made to the water pollution control account by such  
23 municipality prior to formal letting of a construction contract. Upon  
24 receipt by the secretary, each such contribution shall be retained in a  
25 subaccount of the water pollution control account for use solely in the  
26 project for which the municipality has made application.

27       ~~Notwithstanding the provisions of K.S.A. 79-2960 and 79-2961, any~~  
28 ~~municipality applying for such a water pollution control project may make~~  
29 ~~such contribution from all or such part of its share of the local ad valorem~~  
30 ~~tax reduction fund as may be necessary for such purpose, and to the extent~~  
31 ~~such fund is pledged and used for such purpose the municipality shall not~~  
32 ~~be required to make the tax levy reductions otherwise required by K.S.A.~~  
33 ~~79-2960 and 79-2961. Taxes levied by any municipality by reason of its~~  
34 ~~failure to make such reduction in its levies shall not be subject to or be~~  
35 ~~considered in computing the aggregate limitation upon the levy of taxes by~~  
36 ~~such municipality under the provisions of K.S.A. 79-5003.~~

37       Sec. 3. K.S.A. 65-3327 is hereby amended to read as follows: 65-  
38 3327. (a) The dedicated source of revenue for repayment of the loans may  
39 include service charges, connection fees, special assessments, property  
40 taxes, grants or any other source of revenue lawfully available to the  
41 municipality for such purpose. In order to ensure repayment by  
42 municipalities of the amounts of loans provided under K.S.A. 65-3321  
43 through 65-3329, and amendments thereto, the secretary, after consultation

1 with the governing body of any municipality which receives a loan, may  
2 adopt charges to be levied against users of the project. Any such charges  
3 shall remain in effect until the total amount of the loan, and any interest  
4 thereon, has been repaid. The charges shall, insofar as is practicable, be  
5 equitably assessed and may be in the form of a surcharge to the existing  
6 charges of the municipality. The governing body of any municipality  
7 which receives a loan under K.S.A. 65-3321 through 65-3329, and  
8 amendments thereto, shall collect any charges established by the secretary  
9 and shall pay the moneys collected therefrom to the secretary in  
10 accordance with procedures established by the secretary.

11 ~~(b) Upon the failure of a municipality to meet the repayment terms~~  
12 ~~and conditions of the agreement, the secretary may order the treasurer of~~  
13 ~~the county in which the municipality is located to pay to the secretary such~~  
14 ~~portion of the municipality's share of the local ad valorem tax reduction~~  
15 ~~fund as may be necessary to meet the terms of the agreement,~~  
16 ~~notwithstanding the provisions of K.S.A. 79-2960 and 79-2961 and~~  
17 ~~amendments thereto. Upon the issuance of such an order, the municipality~~  
18 ~~shall not be required to make the tax levy reductions otherwise required by~~  
19 ~~K.S.A. 79-2960 and 79-2961 and amendments thereto.~~

20 ~~(e)~~—Municipalities which are provided with loans under K.S.A. 65-  
21 3321 through 65-3329, and amendments thereto, shall maintain project  
22 accounts in accordance with generally accepted government accounting  
23 standards.

24 ~~(d)~~(c) Municipalities which receive a grant and an allowance under  
25 the federal act with respect to project costs for which a loan was provided  
26 under K.S.A. 65-3321 through 65-3329, and amendments thereto, shall  
27 promptly repay such loan to the extent of the allowance received under the  
28 federal act.

29 ~~(e)~~(d) Any loans received by a municipality under the provisions of  
30 K.S.A. 65-3321 through 65-3329, and amendments thereto, shall be  
31 construed to be bonds for the purposes of K.S.A. 10-1116 and 79-5028,  
32 and amendments thereto, and the amount of such loans shall not be  
33 included within any limitation on the bonded indebtedness of the  
34 municipality.

35 Sec. 4. K.S.A. 2014 Supp. 74-8768 is hereby amended to read as  
36 follows: 74-8768. (a) There is hereby created the expanded lottery act  
37 revenues fund in the state treasury. All expenditures and transfers from  
38 such fund shall be made in accordance with appropriation acts. All moneys  
39 credited to such fund shall be expended or transferred only for the  
40 purposes of reduction of state debt, state infrastructure improvements, the  
41 university engineering initiative act, reduction of local ad valorem tax in  
42 the same manner as provided for allocation of amounts in the local ad  
43 valorem tax reduction fund in subsection (c) and reduction of the unfunded

1 actuarial liability of the system attributable to the state of Kansas and  
2 participating employers under K.S.A. 74-4931, and amendments thereto,  
3 by the Kansas public employees retirement system.

4 (b) On July 1, 2012, July 1, 2013, July 1, 2014, July 1, 2015, July 1,  
5 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, and July 1,  
6 2021, or as soon thereafter such date as moneys are available, the first  
7 \$10,500,000 credited to the expanded lottery act revenues fund shall be  
8 transferred by the director of accounts and reports from the expanded  
9 lottery act revenues fund in one or more substantially equal amounts, to  
10 each of the following: The Kan-grow engineering fund – KU, Kan-grow  
11 engineering fund – KSU and Kan-grow engineering fund – WSU. Each  
12 such special revenue fund shall receive \$3,500,000 annually in each of  
13 such years. Commencing in fiscal year 2014, after such transfer has been  
14 made, 50% of the remaining moneys credited to the fund shall be  
15 transferred on a quarterly basis by the director of accounts and reports  
16 from the fund to the Kansas public employees retirement system fund to  
17 be applied to reduce the unfunded actuarial liability of the system  
18 attributable to the state of Kansas and participating employers under  
19 K.S.A. 74-4931 et seq., and amendments thereto, until the system as a  
20 whole attains an 80% funding ratio as certified by the board of trustees of  
21 the Kansas public employees retirement system.

22 (c) *Moneys credited to the fund and expended or transferred for the*  
23 *purposes of reducing local ad valorem taxes shall be allocated as follows:*  
24 *(1) Sixty-five percent of the amount to be distributed shall be apportioned*  
25 *on the basis of the population figures of the counties certified to the*  
26 *secretary of state pursuant to K.S.A. 11-201, and amendments thereto, on*  
27 *July 1 of the preceding year; and (2) thirty-five percent of such amount*  
28 *shall be apportioned on the basis of the equalized assessed tangible*  
29 *valuations on the tax rolls of the counties on November 1 of the preceding*  
30 *year as certified by the director of property valuation.*

31 Sec. 5. K.S.A. 2014 Supp. 75-2556 is hereby amended to read as  
32 follows: 75-2556. (a) The state librarian shall determine the amount of the  
33 grant-in-aid each eligible local public library is to receive based on the  
34 latest population census figures as certified by the division of the budget.

35 (b) Except as provided by subsection (d), no local public library shall  
36 be eligible for any state grants-in-aid if the total amount of the following  
37 paragraphs is less than the total amount produced from such sources for  
38 the same library for the previous year, based on the information contained  
39 in the official annual budgets of municipalities that are filed with the  
40 division of accounts and reports in accordance with K.S.A. 79-2930, and  
41 amendments thereto:

42 (1) The amount produced by the local ad valorem tax levies for the  
43 current year expenses for such library;

1       (2) ~~the amount of moneys received from the local ad valorem tax~~  
2 ~~reduction fund for current year expenses for such library;~~

3       ~~(3)~~ the amount of moneys received from taxes levied upon motor  
4 vehicles under the provisions of K.S.A. 79-5101 et seq., and amendments  
5 thereto, for current year expenses for such library; and

6       ~~(4)~~(3) the amount of moneys received in the current year from  
7 collections of unpaid local ad valorem tax levies for prior year expenses  
8 for such library.

9       (c) Local public library districts in which the assessed valuation  
10 decreases shall remain eligible for state grants-in-aid so long as the ad  
11 valorem tax mill rate for the support of such library has not been reduced  
12 below the mill rate imposed for such purpose for the previous year.

13       (d) If a local public library fails to qualify for eligibility for any state  
14 grants-in-aid under subsection (b), the state librarian shall have the power  
15 to continue the eligibility of a local public library for any state grants-in-  
16 aid if the state librarian, after evaluation of all the circumstances,  
17 determines that the legislative intent for maintenance of local tax levy  
18 support for the on-going operations of the library is being met by the  
19 library district.

20       (e) The distribution so determined shall be apportioned and paid on  
21 February 15 of each year.

22       Sec. 6. K.S.A. 2014 Supp. 79-1479 is hereby amended to read as  
23 follows: 79-1479. (a) On or before January 15, 1992, and quarterly  
24 thereafter, the county or district appraiser shall submit to the director of  
25 property valuation a progress report indicating actions taken during the  
26 preceding quarter calendar year to implement the appraisal of property in  
27 the county or district. Whenever the director of property valuation shall  
28 determine that any county has failed, neglected or refused to properly  
29 provide for the appraisal of property or the updating of the appraisals on an  
30 annual basis in substantial compliance with the provisions of law and the  
31 guidelines and timetables prescribed by the director, the director shall file  
32 with the state board of tax appeals a complaint stating the facts upon which  
33 the director has made the determination of noncompliance as provided by  
34 K.S.A. 79-1413a, and amendments thereto. If, as a result of such  
35 proceeding, the state board of tax appeals finds that the county is not in  
36 substantial compliance with the provisions of law and the guidelines and  
37 timetables of the director of property valuation providing for the appraisal  
38 of all property in the county or the updating of the appraisals on an annual  
39 basis, it shall order the immediate assumption of the duties of the office of  
40 county appraiser by the director of the division of property valuation until  
41 such time as the director of property valuation determines that the county  
42 is in substantial compliance with the provisions of law. In addition, the  
43 board shall order the state treasurer to withhold all or a portion of the

1 county's entitlement to moneys from either or both of the local ad valorem  
2 ~~tax reduction fund~~ and the city and county revenue sharing fund for the  
3 year following the year in which the order is issued. Upon service of any  
4 such order on the board of county commissioners, the appraiser shall  
5 immediately deliver to the director of property valuation, or the director's  
6 designee, all books, records and papers pertaining to the appraiser's office.

7 Any county for which the director of the division of property valuation  
8 is ordered by the state board of tax appeals to assume the responsibility  
9 and duties of the office of county appraiser shall reimburse the state for the  
10 actual costs incurred by the director of the division of property valuation in  
11 the assumption and carrying out of such responsibility and duties,  
12 including any contracting costs in the event it is necessary for the director  
13 of property valuation to contract with private appraisal firms to carry out  
14 such responsibilities and duties.

15 (b) On or before June 1 of each year, the director of property  
16 valuation shall review the appraisal of property in each county or district  
17 to determine if property within the county or district is being appraised or  
18 valued in accordance with the requirements of law. If the director  
19 determines the property in any county or district is not being appraised in  
20 accordance with the requirements of law, the director of property valuation  
21 shall notify the county or district appraiser and the board of county  
22 commissioners of any county or counties affected that the county has 30  
23 days within which to submit to the director a plan for bringing the  
24 appraisal of property within the county into compliance.

25 If a plan is submitted and approved by the director the county or district  
26 shall proceed to implement the plan as submitted. The director shall  
27 continue to monitor the program to insure that the plan is implemented as  
28 submitted. If no plan is submitted or if the director does not approve the  
29 plan, the director shall petition the state board of tax appeals for a review  
30 of the plan or, if no plan is submitted, for authority for the division of  
31 property valuation to assume control of the appraisal program of the  
32 county and to proceed to bring the same into compliance with the  
33 requirements of law.

34 If the state board of tax appeals approves the plan, the county or district  
35 appraiser shall proceed to implement the plan as submitted. If no plan has  
36 been submitted or the plan submitted is not approved, the board shall fix a  
37 time within which the county may submit a plan or an amended plan for  
38 approval. If no plan is submitted and approved within the time prescribed  
39 by the board, the board shall order the division of property valuation to  
40 assume control of the appraisal program of the county and shall certify its  
41 order to the state treasurer who shall withhold distributions of the county's  
42 share of moneys from the county and city revenue sharing fund ~~and the~~  
43 ~~local ad valorem tax reduction fund~~ and credit the same to the general fund

1 of the state for the year following the year in which the board's order is  
2 made. The director of property valuation shall certify the amount of the  
3 cost incurred by the division in bringing the program in compliance to the  
4 state board of tax appeals. The board shall order the county commissioners  
5 to reimburse the state for such costs.

6 (c) The state board of tax appeals shall within 60 days after the  
7 publication of the Kansas assessment/sales ratio study review such  
8 publication to determine county compliance with K.S.A. 79-1439, and  
9 amendments thereto. If in the determination of the board one or more  
10 counties are not in substantial compliance and the director of property  
11 valuation has not acted under subsection (b), the board shall order the  
12 director of property valuation to take such corrective action as is necessary  
13 or to show cause for noncompliance.

14 Sec. 7. K.S.A. 79-2965 is hereby amended to read as follows: 79-  
15 2965. (a) The state treasurer shall make a determination of the total  
16 amount of each county's entitlement from the county and city revenue  
17 sharing fund for each year prior to the first distribution from the fund in  
18 that year.

19 (b) In making the determination, the state treasurer shall allocate the  
20 total amount to be transferred to the county and city revenue sharing fund  
21 for distribution in that year, exclusive of \$600,000 which amount shall be  
22 designated as the deficiency equalization amount, in the following manner:  
23 (1) Sixty-five percent of such amount shall be allocated on the basis of the  
24 population figures of the counties certified to the secretary of state  
25 pursuant to K.S.A. 11-201, and amendments thereto, on July 1 of the  
26 preceding year; and (2) the remaining 35% shall be allocated on the basis  
27 of the equalized assessed tangible valuations on the tax rolls of the  
28 counties on November 1 of the preceding year as certified by the director  
29 of property valuation.

30 (c) ~~In any year when a county's portion determined under the formula~~  
31 ~~in subsection (b) added to the amount that county receives from the local~~  
32 ~~ad valorem tax reduction fund for such year is less than the total of each~~  
33 ~~distribution made to that county in the state's fiscal year 1977 from the~~  
34 ~~local ad valorem tax reduction fund, the alcoholic liquor control~~  
35 ~~enforcement fund and revenue collected from the sale of cigarette tax~~  
36 ~~indicia, the difference between such amounts shall be allocated to that~~  
37 ~~county from the deficiency equalization amount.~~

38 (d) ~~Any portion of the deficiency equalization amount not allocated~~  
39 ~~as provided in subsection (c) shall be allocated among all of the counties~~  
40 ~~according to the formula using population and equalized assessed tangible~~  
41 ~~valuation as prescribed in subsection (b).~~

42 (e)(d) The total amount allocated to a county under the provisions of  
43 this section for any year shall be deemed to be that county's entitlement

1 from the county and city revenue sharing fund for that year.

2 Sec. 8. K.S.A. 19-2694, 65-163j, 65-3306, 65-3327, 79-2960, 79-  
3 2961, 79-2962 and 79-2965 and K.S.A. 2014 Supp. 74-8768, 75-2556, 79-  
4 1479 and 79-2959 are hereby repealed.

5 Sec. 9. This act shall take effect and be in force from and after its  
6 publication in the statute book.