SESSION OF 2023

SENATE BILL No. 309

By Committee on Ways and Means

AN ACT concerning cities and counties; relating to reductions in local retailers' sales and compensating use tax revenues; local extraordinary needs grants; creating the fixing instant revenue shock for taxpayers fund and local extraordinary needs fund; authorizing certain transfers to and payments from such funds; establishing the joint committee on local extraordinary needs grants; providing powers, duties and restrictions in reviewing and approving capital expenditure project grants by such joint committee; abolishing the local ad valorem tax reduction fund; amending K.S.A. 65-163j, 65-3306, 65-3327, 75-2556, 79-1479 and 79-2965 and K.S.A. 2022 Supp. 74-8768 and repealing the existing sections; also repealing K.S.A. 19-2694, 79-2960, 79-2961 and 79-2962 and K.S.A. 2022 Supp. 79-2959.

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

New Section 1. (a) There is hereby created in the state treasury the fixing instant revenue shock for taxpayers fund. Such fund shall be administered by the state treasurer subject to the provisions of this section. All expenditures from the fixing instant revenue shock for taxpayers fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the state treasurer or the state treasurer's designee. All expenditures from the fixing instant revenue shock for taxpayers fund shall be for the purposes of restoring to cities and counties the local retailers' sales or compensating use tax revenue lost due to the enactment of legislation.

(b) On July 1, 2023, or as soon thereafter as moneys are available, the director of accounts and reports shall transfer $220,000,000 from the state general fund to the fixing instant revenue shock for taxpayers fund.

(c) When legislation is enacted into law that reduces a city's or county's tax revenue collected under a local retailers' sales or compensating use tax imposed under the provisions of K.S.A. 12-187 et seq., and amendments thereto, the state director of taxation shall certify to the state treasurer the difference in the amount of such retailers' sales or compensating use tax revenue actually collected on behalf of such city or county during the 12-month period immediately preceding the effective date of such legislation and the amount of retailers' sales or compensating use tax revenue actually collected on behalf of such city or county during
the 12-month period immediately following the effective date of such legislation. Upon receipt of each such certification from the state director of taxation, the state treasurer shall notify the governing body of such city or county of such determination by the state director of taxation and shall require the governing body to certify that such governing body shall comply with the provisions of K.S.A. 2022 Supp. 79-2988, and amendments thereto, prior to receiving any moneys from the fixing instant revenue shock for taxpayers fund. Upon receipt of such certification from the governing body, the state treasurer shall pay from the fixing instant revenue shock for taxpayers fund to the appropriate city or county fund the amount determined by the state director of taxation to restore the local retailers' sales or compensating use tax revenue lost following the enactment of such legislation. The state treasurer shall transmit a copy of certification of each payment from the fixing instant revenue shock for taxpayers fund to the director of the budget and the director of legislative research.

(d) The state treasurer shall establish procedures to recapture moneys paid from the fixing instant revenue shock for taxpayers fund if a city or county is not complying with the provisions of K.S.A. 2022 Supp. 79-2988, and amendments thereto.

New Sec. 2. (a) There is hereby created in the state treasury the local extraordinary needs fund. Such fund shall be administered by the state treasurer subject to the provisions of this section. All expenditures from the local extraordinary needs fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the state treasurer or the state treasurer's designee. All expenditures from the local extraordinary needs fund shall be for the purpose of providing grants to cities and counties for capital expenditure projects approved by the joint committee on local extraordinary needs grants established in section 3, and amendments thereto.

(b) On July 1, 2023, or as soon thereafter as moneys are available, the director of accounts and reports shall transfer $50,000,000 from the state general fund to the local extraordinary needs fund.

(c) A city or county may request a local extraordinary needs grant application from the state treasurer. The state treasurer shall send an application form to the requesting city or county. Such application form shall require that the governing body of such city or county certify that such governing body shall comply with the provisions of K.S.A. 2022 Supp. 79-2988, and amendments thereto, prior to the state treasurer forwarding such application to the joint committee on local extraordinary needs grants established in section 3, and amendments thereto.

(d) Upon receipt of a grant approval from the joint committee on
local extraordinary needs grants in accordance with section 3, and
amendments thereto, the state treasurer shall pay from the local
extraordinary needs fund the amount of such grant to the appropriate fund
of the city or county awarded such grant. The state treasurer shall transmit
a copy of certification of each payment from the local extraordinary needs
fund to the director of the budget and the director of legislative research.

New Sec. 3. (a) There is hereby established the joint committee on
local extraordinary needs grants within the legislative branch of state
government. Such joint committee shall be composed of five members of
the senate and five members of the house of representatives. All senate
members shall be appointed by the president of the senate. All
representative members shall be appointed by the speaker of the house of
representatives.

(b) All members of the joint committee on local extraordinary needs
grants shall serve for terms ending on the first day of the regular session of
the legislature in odd-numbered years. On and after the first day of the
regular session of the legislature in odd-numbered years, the chairperson
shall be a representative member selected by the speaker of the house of
representatives and the vice chairperson shall be a senate member selected
by the president of the senate. On and after the first day of the regular
session of the legislature in even-numbered years, the chairperson shall be
a senate member selected by the president of the senate and the vice
chairperson shall be a representative member selected by the speaker of
the house of representatives. Any vacancy on the joint committee shall be
filled in the same manner in which the original appointment was made.

(c) A quorum of the joint committee on local extraordinary needs
grants shall be a majority of the members appointed. The joint committee
on local extraordinary needs grants shall meet at any time and at any place
within the state on call of the chairperson. Members of the joint committee
on local extraordinary needs grants shall receive compensation, travel
expenses and subsistence expenses or allowances as provided in K.S.A.
75-3212, and amendments thereto, when attending meetings of such joint
committee authorized by the legislative coordinating council.

(d) The state treasurer shall forward all applications for grants from
the local extraordinary needs fund received pursuant to section 2, and
amendments thereto, to the joint committee on local extraordinary needs
grants. The joint committee on local extraordinary needs grants shall
review all such grant applications and, to aid in reviewing such grant
applications, may adopt procedural guidelines subject to the requirements
of this section.

(e) The joint committee on local extraordinary needs grants may
approve grant requests from the local extraordinary needs fund, except that
the joint committee shall not approve a grant for a single capital
expenditures project that exceeds $2,000,000.
(f) The joint committee on local extraordinary needs grants shall transmit a copy of all grant approvals to the state treasurer for payment from the local extraordinary needs fund.
(g) The joint committee on local extraordinary needs grants may introduce legislation as it deems necessary in performing its functions.

New Sec. 4. On July 1, 2023:
(a) The director of accounts and reports shall transfer all moneys in the local ad valorem tax reduction fund to the state general fund;
(b) all liabilities of the local ad valorem tax reduction fund are hereby transferred to and imposed on the state general fund; and
(c) the local ad valorem tax reduction fund is hereby abolished.

Sec. 5. K.S.A. 65-163j is hereby amended to read as follows: 65-163j.
(a) The dedicated source of revenue for repayment of a loan to a municipality may include service charges, connection fees, special assessments, property taxes, grants or any other source of revenue lawfully available to the municipality for such purpose. In order to ensure repayment by municipalities of the amounts of loans provided under this act, the secretary, after consultation with the governing body of any municipality which receives a loan, may adopt charges to be levied against individuals and entities served by the project. Any such charges shall remain in effect until the total amount of the loan, and any interest thereon, has been repaid. The charges shall, insofar as is practicable, be equitably assessed and may be in the form of a surcharge to the existing charges of the municipality. The governing body of any municipality that receives a loan under this act shall collect any charges established by the secretary and shall pay the moneys collected therefrom to the secretary in accordance with procedures established by the secretary.

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

(c) Municipalities which that are provided with loans under this act shall maintain project accounts in accordance with generally accepted government accounting standards.
(d) Any loans received by a municipality under the provisions of this act shall be construed to be bonds for the purposes of K.S.A. 10-1116 and 79-5028, and amendments thereto, and the amount of such loans shall
not be included within any limitation on the bonded indebtedness of the
municipality.

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

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

Sec. 7. K.S.A. 65-3327 is hereby amended to read as follows: 65-
3327. (a) The dedicated source of revenue for repayment of the loans may
include service charges, connection fees, special assessments, property
taxes, grants or any other source of revenue lawfully available to the
municipality for such purpose. In order to ensure repayment by
municipalities of the amounts of loans provided under K.S.A. 65-3321
through 65-3329, and amendments thereto, the secretary, after consultation
with the governing body of any municipality which that receives a loan,
may adopt charges to be levied against users of the project. Any such
charges shall remain in effect until the total amount of the loan, and any
interest thereon, has been repaid. The charges shall, insofar as is
practicable, be equitably assessed and may be in the form of a surcharge to
the existing charges of the municipality. The governing body of any
municipality which that receives a loan under K.S.A. 65-3321 through 65-
3329, and amendments thereto, shall collect any charges established by the
secretary and shall pay the moneys collected therefrom to the secretary in
accordance with procedures established by the secretary.

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

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

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

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

Sec. 8. K.S.A. 2022 Supp. 74-8768 is hereby amended to read as
follows: 74-8768. (a) There is hereby created the expanded lottery act
revenues fund in the state treasury. All expenditures and transfers from
such fund shall be made in accordance with appropriation acts. All moneys
credited to such fund shall be expended or transferred only for the
purposes of reduction of state debt, state infrastructure improvements, the
university engineering initiative act, reduction of local ad valorem tax in
the same manner as provided for allocation of amounts in the local ad
valorem tax reduction fund and reduction of the unfunded actuarial
liability of the system attributable to the state of Kansas and participating
employers under K.S.A. 74-4931, and amendments thereto, by the Kansas
public employees retirement system.
(b) On July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, July 1, 2025, July 1, 2026, July 1, 2027, July 1, 2028, July 1, 2029, July 1, 2030, and July 1, 2031, or as soon thereafter such date as moneys are available, the first $10,500,000 credited to the expanded lottery act revenues fund shall be transferred by the director of accounts and reports from the expanded lottery act revenues fund in one or more substantially equal amounts, to each of the following: The Kan-grow engineering fund – KU, Kan-grow engineering fund – KSU and Kan-grow engineering fund – WSU. Each such special revenue fund shall receive $3,500,000 annually in each of such years. Commencing in fiscal year 2014, after such transfer has been made, 50% of the remaining moneys credited to the fund shall be transferred on a quarterly basis by the director of accounts and reports from the fund to the Kansas public employees retirement system fund to be applied to reduce the unfunded actuarial liability of the system attributable to the state of Kansas and participating employers under K.S.A. 74-4931 et seq., and amendments thereto, until the system as a whole attains an 80% funding ratio as certified by the board of trustees of the Kansas public employees retirement system.

Sec. 9. K.S.A. 75-2556 is hereby amended to read as follows: 75-2556. (a) The state librarian shall determine the amount of the grant-in-aid each eligible local public library is to receive based on the latest population census figures as certified by the division of the budget.

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

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

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

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

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

(c) Local public library districts in which the assessed valuation decreases shall remain eligible for state grants-in-aid so long as the ad valorem tax mill rate for the support of such library has not been reduced below the mill rate imposed for such purpose for the previous year.
(d) If a local public library fails to qualify for eligibility for any state grants-in-aid under subsection (b), the state librarian shall have the power to continue the eligibility of a local public library for any state grants-in-aid if the state librarian, after evaluation of all the circumstances, determines that the legislative intent for maintenance of local tax levy support for the on-going operations of the library is being met by the library district.

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

Sec. 10. K.S.A. 79-1479 is hereby amended to read as follows: 79-1479. (a) (1) On or before January 15, 1992, and quarterly thereafter, the county or district appraiser shall submit to the director of property valuation a progress report indicating actions taken during the preceding quarter calendar year to implement the appraisal of property in the county or district. Whenever the director of property valuation shall determine that any county has failed, neglected or refused to properly provide for the appraisal of property or the updating of the appraisals on an annual basis in substantial compliance with the provisions of law and the guidelines and timetables prescribed by the director, the director shall file with the state board of tax appeals a complaint stating the facts upon which the director has made the determination of noncompliance as provided by K.S.A. 79-1413a, and amendments thereto. If, as a result of such proceeding, the state board of tax appeals finds that the county is not in substantial compliance with the provisions of law and the guidelines and timetables of the director of property valuation providing for the appraisal of all property in the county or the updating of the appraisals on an annual basis, it shall order the immediate assumption of the duties of the office of county appraiser by the director of the division of property valuation until such time as the director of property valuation determines that the county is in substantial compliance with the provisions of law. In addition, the board shall order the state treasurer to withhold all or a portion of the county's entitlement to moneys from either or both of the local ad valorem tax reduction fund and the city and county and city revenue sharing fund for the year following the year in which the order is issued. Upon service of any such order on the board of county commissioners, the appraiser shall immediately deliver to the director of property valuation, or the director's designee, all books, records and papers pertaining to the appraiser's office.

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

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

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

(3) If the state board of tax appeals approves the plan, the county or
district appraiser shall proceed to implement the plan as submitted. If no
plan has been submitted or the plan submitted is not approved, the board
shall fix a time within which the county may submit a plan or an amended
plan for approval. If no plan is submitted and approved within the time
prescribed by the board, the board shall order the division of property
valuation to assume control of the appraisal program of the county and
shall certify its order to the state treasurer, who shall withhold distributions
of the county's share of moneys from the county and city revenue sharing
fund and the local ad valorem tax reduction fund and credit the same such
moneys to the general fund of the state for the year following the year in
which the board's order is made. The director of property valuation shall
 certify the amount of the cost incurred by the division in bringing the
program in compliance to the state board of tax appeals. The board shall
order the county commissioners to reimburse the state for such costs.

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

Sec. 11. K.S.A. 79-2965 is hereby amended to read as follows: 79-2965. (a) The state treasurer shall make a determination of the total amount of each county's entitlement from the county and city revenue sharing fund for each year prior to the first distribution from the fund in that year.

(b) In making the determination, the state treasurer shall allocate the total amount to be transferred to the county and city revenue sharing fund for distribution in that year, exclusive of $600,000 which amount shall be designated as the deficiency equalization amount, in the following manner:

(1) Sixty-five percent of such amount shall be allocated on the basis of the population figures of the counties certified to the secretary of state pursuant to K.S.A. 11-201, and amendments thereto, on July 1 of the preceding year, and (2) the remaining 35% shall be allocated on the basis of the equalized assessed tangible valuations on the tax rolls of the counties on November 1 of the preceding year as certified by the director of property valuation.

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

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

(e) The total amount allocated to a county under the provisions of this section for any year shall be deemed to be that county's entitlement from the county and city revenue sharing fund for that year.


Sec. 13. This act shall take effect and be in force from and after its publication in the statute book.