

**SENATE BILL No. 332**

By Senator Olson

1-8

1 AN ACT concerning taxation; relating to the local ad valorem tax  
2 reduction fund; authorizing a distribution of moneys from such fund in  
3 fiscal year 2025 and all fiscal years thereafter; providing for the  
4 distribution of all moneys received from such fund to residential  
5 property taxpayers in the form of a state rebate; providing for reports to  
6 the legislature and performance audits; amending K.S.A. 65-163j, 65-  
7 3306, 65-3327, 75-2556, 79-1479, 79-2960 and 79-2961 and K.S.A.  
8 2023 Supp. 79-2959 and repealing the existing sections.  
9

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

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

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

36 (e) Municipalities ~~which~~ *that* are provided with loans under this act

1 shall maintain project accounts in accordance with generally accepted  
2 government accounting standards.

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

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

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

39 Sec. 3. K.S.A. 65-3327 is hereby amended to read as follows: 65-  
40 3327. (a) The dedicated source of revenue for repayment of the loans may  
41 include service charges, connection fees, special assessments, property  
42 taxes, grants or any other source of revenue lawfully available to the  
43 municipality for such purpose. In order to ensure repayment by

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

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

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

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

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

37 Sec. 4. K.S.A. 75-2556 is hereby amended to read as follows: 75-  
38 2556. (a) The state librarian shall determine the amount of the grant-in-aid  
39 each eligible local public library is to receive based on the latest  
40 population census figures as certified by the division of the budget.

41 (b) Except as provided by subsection (d), no local public library shall  
42 be eligible for any state grants-in-aid if the total amount of the following  
43 paragraphs is less than the total amount produced from such sources for

1 the same library for the previous year, based on the information contained  
2 in the official annual budgets of municipalities that are filed with the  
3 division of accounts and reports in accordance with K.S.A. 79-2930, and  
4 amendments thereto:

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

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

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

12 ~~(4)(3) the amount of moneys received in the current year from~~  
13 ~~collections of unpaid local ad valorem tax levies for prior year expenses~~  
14 ~~for such library.~~

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

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

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

28 Sec. 5. K.S.A. 79-1479 is hereby amended to read as follows: 79-  
29 1479. (a) (1) On or before January 15, 1992, and quarterly thereafter, the  
30 county or district appraiser shall submit to the director of property  
31 valuation a progress report indicating actions taken during the preceding  
32 quarter calendar year to implement the appraisal of property in the county  
33 or district. Whenever the director of property valuation shall determine  
34 that any county has failed, neglected or refused to properly provide for the  
35 appraisal of property or the updating of the appraisals on an annual basis in  
36 substantial compliance with the provisions of law and the guidelines and  
37 timetables prescribed by the director, the director shall file with the state  
38 board of tax appeals a complaint stating the facts upon which the director  
39 has made the determination of noncompliance as provided by K.S.A. 79-  
40 1413a, and amendments thereto. If, as a result of such proceeding, the state  
41 board of tax appeals finds that the county is not in substantial compliance  
42 with the provisions of law and the guidelines and timetables of the director  
43 of property valuation providing for the appraisal of all property in the

1 county or the updating of the appraisals on an annual basis, it shall order  
2 the immediate assumption of the duties of the office of county appraiser by  
3 the director of the division of property valuation until such time as the  
4 director of property valuation determines that the county is in substantial  
5 compliance with the provisions of law. In addition, the board shall order  
6 the state treasurer to withhold all or a portion of the county's entitlement to  
7 moneys from ~~either or both of the local ad valorem tax reduction fund and~~  
8 ~~the city and county and city revenue sharing fund~~ for the year following  
9 the year in which the order is issued. Upon service of any such order on  
10 the board of county commissioners, the appraiser shall immediately  
11 deliver to the director of property valuation, or the director's designee, all  
12 books, records and papers pertaining to the appraiser's office.

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

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

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

40 (3) If the state board of tax appeals approves the plan, the county or  
41 district appraiser shall proceed to implement the plan as submitted. If no  
42 plan has been submitted or the plan submitted is not approved, the board  
43 shall fix a time within which the county may submit a plan or an amended

1 plan for approval. If no plan is submitted and approved within the time  
 2 prescribed by the board, the board shall order the division of property  
 3 valuation to assume control of the appraisal program of the county and  
 4 shall certify its order to the state treasurer who shall withhold distributions  
 5 of the county's share of moneys from the county and city revenue sharing  
 6 fund ~~and the local ad valorem tax reduction fund~~ and credit the same to the  
 7 general fund of the state for the year following the year in which the  
 8 board's order is made. The director of property valuation shall certify the  
 9 amount of the cost incurred by the division in bringing the program in  
 10 compliance to the state board of tax appeals. The board shall order the  
 11 county commissioners to reimburse the state for such costs.

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

20 Sec. 6. K.S.A. 2023 Supp. 79-2959 is hereby amended to read as  
 21 follows: 79-2959. (a) There is hereby created the local ad valorem tax  
 22 reduction fund. All moneys transferred or credited to such fund under the  
 23 provisions of this act or any other law shall be apportioned and distributed  
 24 in the manner provided herein.

25 (b) ~~On January 15 and on July~~ *October* 15 of each year, the director  
 26 of accounts and reports shall make ~~transfers in equal amounts that in the~~  
 27 ~~aggregate~~ *a transfer in an amount* equal to 3.63% of the total retail sales  
 28 and compensating taxes credited to the state general fund pursuant to  
 29 articles 36 and 37 of chapter 79 of the Kansas Statutes Annotated, and  
 30 amendments thereto, during the preceding calendar year from the state  
 31 general fund to the local ad valorem tax reduction fund, except that: (1) No  
 32 moneys shall be transferred from the state general fund to the local ad  
 33 valorem tax reduction fund during state fiscal years 2023; ~~and 2024 and~~  
 34 ~~2025~~; and (2) the amount of the transfer on ~~each~~ such date shall be  
 35 ~~\$27,000,000~~ *\$50,000,000* during fiscal year ~~2026~~ *2025* and all fiscal years  
 36 thereafter. All such transfers are subject to reduction under K.S.A. 75-  
 37 6704, and amendments thereto. All transfers made in accordance with the  
 38 provisions of this section shall be considered to be revenue transfers from  
 39 the state general fund.

40 (c) The state treasurer shall apportion and pay the amounts transferred  
 41 under subsection (b) to the several county treasurers on ~~January 15 and on~~  
 42 ~~July~~ *October* 15 in each year as follows: (1) 65% of the amount to be  
 43 distributed shall be apportioned on the basis of the population figures of

1 the counties certified to the secretary of state pursuant to K.S.A. 11-201,  
2 and amendments thereto, on July 1 of the preceding year; and (2) 35% of  
3 such amount shall be apportioned on the basis of the equalized assessed  
4 tangible valuations on the tax rolls of the counties on November 1 of the  
5 preceding year as certified by the director of property valuation.

6 Sec. 7. K.S.A. 79-2960 is hereby amended to read as follows: 79-  
7 2960. ~~Each year, the county treasurer shall estimate the amount of money~~  
8 ~~each political subdivision in such county (including the county as one such~~  
9 ~~political subdivision) will receive from the local ad valorem tax reduction~~  
10 ~~fund. The state treasurer shall advise each county treasurer, prior to June~~  
11 ~~July 1 of each year, of the amount of the local ad valorem tax reduction~~  
12 ~~fund of the state that the state treasurer estimates (, using the most recent~~  
13 ~~available information), will be paid to such county on January 15 and July~~  
14 ~~October 15 of the following current calendar year. The county treasurer~~  
15 ~~shall before June 15 of each year, notify the treasurer of each political~~  
16 ~~subdivision of the estimated amount in dollars of the distributions to be~~  
17 ~~made from the local ad valorem tax reduction fund. Such estimate shall be~~  
18 ~~made in accordance with K.S.A. 79-2961. Each tangible property tax~~  
19 ~~levying political subdivision shall set out a local ad valorem tax reduction~~  
20 ~~fund item of income for one or more tangible property tax funds of general~~  
21 ~~application (excepting bond and interest funds), in its budget for the~~  
22 ~~current year tax levies, the amount which the county treasurer has~~  
23 ~~estimated as the share of such local ad valorem tax reduction funds to be~~  
24 ~~so credited. The director of accounts and reports shall make suitable~~  
25 ~~provision in the budget forms to be used by such subdivisions for listing~~  
26 ~~local ad valorem tax reduction fund income items.~~

27 Sec. 8. K.S.A. 79-2961 is hereby amended to read as follows: 79-  
28 2961. (a) ~~The county clerk shall certify to the county treasurer when~~  
29 ~~budgets are made pursuant to K.S.A. 79-2960 and amendments thereto and~~  
30 ~~tax levies are filed with the county clerk. Prior to crediting the proper~~  
31 ~~amounts under subsection (c) and except as provided in subsection (d), the~~  
32 ~~county treasurer shall divide the amount paid by the state treasurer to the~~  
33 ~~county treasurer among the county and all other taxing subdivisions of the~~  
34 ~~county except school districts and any incorporated city within which any~~  
35 ~~portion of the Fort Riley military reservation is located and which would~~  
36 ~~otherwise be a participant in the Riley county allocation, which comply~~  
37 ~~with the requirements of this act, in the proportion that the product of the~~  
38 ~~last preceding total tangible tax rate of each subdivision, times its~~  
39 ~~equalized tangible assessed valuation for the preceding year, is to the sum~~  
40 ~~of such products of all the tangible tax-levying political subdivisions,~~  
41 ~~except school districts and any incorporated city within which any portion~~  
42 ~~of the Fort Riley military reservation is located and which would otherwise~~  
43 ~~be a participant in the Riley county allocation, exclusive of the levy by the~~

1 county for any deficiency for state purposes.

2 ~~(b) No political subdivision shall be entitled to participate in the~~  
3 ~~distribution of any money appropriated to carry out K.S.A. 79-2960 and~~  
4 ~~amendments thereto and this section unless and until such political~~  
5 ~~subdivision has adopted and certified a budget for the ensuing year which~~  
6 ~~shows as a separate item the amount of the distribution to one or more tax~~  
7 ~~levy funds of general application within such subdivision except bond and~~  
8 ~~interest funds and has certified a tax levy for each such fund that will~~  
9 ~~produce a sum of money less than the amount which a maximum levy~~  
10 ~~would produce for each such fund, in an amount equal to or in excess of~~  
11 ~~the amount of such distribution. The budget of each political subdivision~~  
12 ~~also shall show that the aggregate levies made by such tangible property~~  
13 ~~tax-levying political subdivisions will produce a sum less than the amount~~  
14 ~~which the aggregate levy would produce in an amount equal to or in~~  
15 ~~excess of the aggregate amount of the budget items of such distribution~~  
16 ~~shown in the aggregate levy.~~

17 ~~(c) In crediting the amount that has been divided pursuant to~~  
18 ~~subsection (a) or subsection (d), the county treasurer shall proceed as~~  
19 ~~follows: Upon receipt of the payment from the state treasurer each year,~~  
20 ~~credit the appropriate fund or funds of each political subdivision~~  
21 ~~complying with the provisions of this act with its proportionate share of~~  
22 ~~such payment and the county treasurer shall notify such political~~  
23 ~~subdivision of the amounts so credited. This section and K.S.A. 79-2960~~  
24 ~~and amendments thereto shall not apply to school districts.~~

25 ~~(d) The amount paid by the state treasurer to the county treasurer of~~  
26 ~~each county under subsection (d) of K.S.A. 79-2959 and amendments~~  
27 ~~thereto, shall be divided only among the one or more community colleges~~  
28 ~~or municipal universities, or both, which received amounts under this~~  
29 ~~section from the payment made from the local ad valorem tax reduction~~  
30 ~~fund on January 15, 1983. The amount received by each such community~~  
31 ~~college or municipal university under this subsection shall bear the same~~  
32 ~~proportion to the total amount paid to such county under subsection (d) of~~  
33 ~~K.S.A. 79-2959 and amendments thereto, as the amount received by such~~  
34 ~~community college or municipal university under this section from the~~  
35 ~~payment made to such county from the local ad valorem tax reduction~~  
36 ~~fund on January 15, 1983, bears to the total amount received by all such~~  
37 ~~community colleges and municipal universities under this section from~~  
38 ~~such payment~~ *Not later than 60 days from the date the amount pursuant to*  
39 *K.S.A. 79-2959, and amendments thereto, is received by the county*  
40 *treasurer, the county treasurer shall distribute such amount to residential*  
41 *property taxpayers in the form of rebates. The rebates to such taxpayers*  
42 *shall be made in the form of rebate checks or as credits against the current*  
43 *year's property taxes. If the rebates are made by credits against the current*



1 year's property taxes, the amount of rebate credit shall be stated on the  
2 property tax statement of each residential property for the current year  
3 and designated on such statement as "state rebate for residential property  
4 taxpayers."

5 (b) The amount of rebate for each residential property shall be  
6 determined by:

7 (1) Dividing the amount received by the county by the total assessed  
8 valuation of all residential property in such county as of November 1 of  
9 the current tax year; and

10 (2) multiplying the quotient determined under paragraph (1) by the  
11 assessed valuation of such residential property for the current tax year as  
12 of November 1.

13 (c) As used in this section, "residential property" means property  
14 classified for property tax purposes within subclass (1) of class 1 and  
15 subclass (1) of class 2 of section 1 of article 11 of the constitution of the  
16 state of Kansas.

17 (d) On or before December 31 of each year, each county treasurer  
18 shall transmit to the director of property valuation, on forms prepared and  
19 supplied by the director of property valuation, a statement showing:

20 (1) The amount received from the state treasurer;

21 (2) the date such amount was received;

22 (3) the total assessed valuation of all residential property in such  
23 county as of November 1 of the current tax year;

24 (4) the method by which rebates were made to residential property  
25 taxpayers; and

26 (5) the date of such rebates.

27 (e) On or before January 31 of each year, the director of property  
28 valuation shall make an annual report to the legislature of such reported  
29 information from each county by filing a copy of the report with the chief  
30 clerk of the house of representatives and with the secretary of the senate.

31 The director shall also post a copy of the annual report on the website of  
32 the division of property valuation.

33 (f) The legislative post audit committee shall annually direct the  
34 legislative division of post audit to conduct a performance audit of at least  
35 five counties to examine compliance with the provisions of this section.  
36 Such performance audits shall be conducted during calendar years 2025  
37 through 2029, and each performance audit report shall be submitted to the  
38 legislature on or before January 15 of each succeeding year.

39 Sec. 9. K.S.A. 65-163j, 65-3306, 65-3327, 75-2556, 79-1479, 79-  
40 2960 and 79-2961 and K.S.A. 2023 Supp. 79-2959 are hereby repealed.

41 Sec. 10. This act shall take effect and be in force from and after its  
42 publication in the statute book.