## SENATE BILL No. 245

By Committee on Federal and State Affairs

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AN ACT concerning state expenditures; relating to allotments; amending K.S.A. 75-3722 and K.S.A. 2010 Supp. 72-6410, 75-2263, 79-2959, 79-2964, 79-3425i and 82a-953a and repealing the existing sections; also repealing K.S.A. 75-6704.

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

Section 1. K.S.A. 2010 Supp. 72-6410 is hereby amended to read as follows: 72-6410. (a) "State financial aid" means an amount equal to the product obtained by multiplying base state aid per pupil by the adjusted enrollment of a district.

- (b) (1) "Base state aid per pupil" means an amount of state financial aid per pupil. Subject to the other provisions of this subsection, the amount of base state aid per pupil is \$4,433 in school year 2008-2009 and \$4,492 in school year 2009-2010 and each school year thereafter.
- (2) The amount of base state aid per pupil is subject to reduction eommensurate with any reduction under K.S.A. 75-6704, and amendments thereto, in the amount of the appropriation from the state general fund for general state aid. If the amount of appropriations for general state aid is insufficient to pay in full the amount each district is entitled to receive for any school year, the amount of base state aid per pupil for such school year is subject to reduction commensurate with the amount of the insufficiency.
- (c) "Local effort" means the sum of an amount equal to the proceeds from the tax levied under authority of K.S.A. 72-6431, and amendments thereto, and an amount equal to any unexpended and unencumbered balance remaining in the general fund of the district, except amounts received by the district and authorized to be expended for the purposes specified in K.S.A. 72-6430, and amendments thereto, and an amount equal to any unexpended and unencumbered balances remaining in the program weighted funds of the district, except any amount in the vocational education fund of the district if the district is operating an area vocational school, and an amount equal to any remaining proceeds from taxes levied under authority of K.S.A. 72-7056 and 72-7072, and amendments thereto, prior to the repeal of such statutory sections, and an amount equal to the amount deposited in the general fund in the current school year from amounts received in such year by the district under the provisions of subsection (a) of K.S.A. 72-1046a, and amendments thereto,

and an amount equal to the amount deposited in the general fund in the current school year from amounts received in such year by the district pursuant to contracts made and entered into under authority of K.S.A. 72-6757, and amendments thereto, and an amount equal to the amount credited to the general fund in the current school year from amounts distributed in such year to the district under the provisions of articles 17 and 34 of chapter 12 of Kansas Statutes Annotated, and amendments thereto, and under the provisions of articles 42 and 51 of chapter 79 of Kansas Statutes Annotated, and amendments thereto, and an amount equal to the amount of payments received by the district under the provisions of K.S.A. 72-979, and amendments thereto, and an amount equal to the amount of a grant, if any, received by the district under the provisions of K.S.A. 72-983, and amendments thereto, and an amount equal to 70% of the federal impact aid of the district. 

- (d) "Federal impact aid" means an amount equal to the federally qualified percentage of the amount of moneys a district receives in the current school year under the provisions of title I of public law 874 and congressional appropriations therefor, excluding amounts received for assistance in cases of major disaster and amounts received under the low-rent housing program. The amount of federal impact aid defined herein as an amount equal to the federally qualified percentage of the amount of moneys provided for the district under title I of public law 874 shall be determined by the state board in accordance with terms and conditions imposed under the provisions of the public law and rules and regulations thereunder.
- Sec. 2. K.S.A. 2010 Supp. 75-2263 is hereby amended to read as follows: 75-2263. (a) On and after the effective date of this act, the board of trustees is responsible for the management and investment of that portion of state moneys available for investment by the pooled money investment board that is certified by the state treasurer to the board of trustees as being equivalent to the aggregate net amount received for unclaimed property and shall discharge the board's duties with respect to such moneys solely in the interests of the state general fund and shall invest and reinvest such moneys and acquire, retain, manage, including the exercise of any voting rights and disposal of investments of such moneys within the limitations and according to the powers, duties and purposes as prescribed by this section.
- (b) Moneys specified in subsection (a) shall be invested and reinvested to achieve the investment objective which is preservation of such moneys and accordingly providing that the moneys are as productive as possible, subject to the standards set forth in this act. No such moneys shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.

 (c) In investing and reinvesting moneys specified in subsection (a) and in acquiring, retaining, managing and disposing of investments of the moneys, the board of trustees shall exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the moneys so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar moneys, considering the probable income as well as the probable safety of their capital.

- (d) In the discharge of such management and investment responsibilities the board of trustees may contract for the services of one or more professional investment advisors or other consultants in the management and investment of such moneys and otherwise in the performance of the duties of the board of trustees under this act.
- (e) The board of trustees shall require that each person contracted with under subsection (d) to provide services shall obtain commercial insurance which provides for errors and omissions coverage for such person in an amount to be specified by the board of trustees. The amount of such coverage specified by the board of trustees shall be at least the greater of \$500,000 or 1% of the funds entrusted to such person up to a maximum of \$10,000,000. The board of trustees shall require a person contracted with under subsection (d) to provide services to give a fidelity bond in a penal sum as may be fixed by law or, if not so fixed, as may be fixed by the board of trustees, with corporate surety authorized to do business in this state. Such persons contracted with the board of trustees pursuant to subsection (d) and any persons contracted with such persons to perform the functions specified in subsection (b) shall be deemed to be fiduciary agents of the board of trustees in the performance of contractual obligations.
- (f) (1) Subject to the objective set forth in subsection (b) and the standards set forth in subsection (c), the board of trustees shall formulate and adopt policies and objectives for the investment and reinvestment of such moneys and the acquisition, retention, management and disposition of investments of the moneys. Such policies and objectives shall be in writing and shall include:
  - (A) Specific asset allocation standards and objectives;
- (B) establishment of criteria for evaluating the risk versus the potential return on a particular investment; and
- (C) a requirement that all investment advisors, and any managers or others with similar duties and responsibilities as investment advisors, shall

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immediately report all instances of default on investments to the board of trustees and provide such board of trustees with recommendations and options, including, but not limited to, curing the default or withdrawal from the investment.

- (2) The board of trustees shall review such policies and objectives, make changes considered necessary or desirable and readopt such policies and objectives on an annual basis.
- (g) Except as provided in subsection (d) and this subsection, the custody of such moneys shall remain in the custody of the state treasurer, except that the board of trustees may arrange for the custody of such moneys as it considers advisable with one or more member banks or trust companies of the federal reserve system or with one or more banks in the state of Kansas, or both, to be held in safekeeping by the banks or trust companies for the collection of the principal and interest or other income or of the proceeds of sale. All such moneys shall be considered moneys in the state treasury for purposes of K.S.A. 75-6704 and amendments thereto.
- (h) All interest or other income of the investments of the moneys invested under this section, after payment of any management fees, shall be deposited in the state treasury to the credit of the state general fund.
- (i) On or after the effective date of this act and periodically thereafter, the state treasurer shall certify to the board of trustees a portion of state moneys available for investment by the pooled money investment board that is equivalent to the aggregate net amount received for unclaimed property. The state treasurer shall transfer the amount certified to the board of trustees.
  - (i) As used in this section:
- (1) "Board of trustees" means the board of trustees of the Kansas public employees retirement system established by K.S.A. 74-4905, and amendments thereto.
- (2) "Fiduciary" means a person who, with respect to the moneys invested under this section, is a person who:
- (A) Exercises any discretionary authority with respect to administration of the moneys;
- (B) exercises any authority to invest or manage such moneys or has any authority or responsibility to do so;
- (C) provides investment advice for a fee or other direct or indirect compensation with respect to such moneys or has any authority or responsibility to do so;
- (D) provides actuarial, accounting, auditing, consulting, legal or other professional services for a fee or other direct or indirect compensation with respect to such moneys or has any authority or responsibility to do so; or
- (E) is a member of the board of trustees or of the staff of the board of trustees.

 Sec. 3. K.S.A. 75-3722 is hereby amended to read as follows: 75-3722. (a) An allotment system will be applicable to the expenditure of the resources of any state agency, under rules and regulations established as provided in K.S.A. 75-3706, and amendments thereto, only if in the opinion of the secretary of administration on the advice of the director of the budget, the use of an allotment plan is necessary or beneficial to the state. In making this determination the secretary of administration shall take into consideration all pertinent factors including (1) available resources, (2) current spending rates, (3) work loads, (4) new activities, especially any proposed activities not covered in the agency's request to the governor and the legislature for appropriations, (5) the minimum current needs of each agency, (6) requests for deficiency appropriations in prior fiscal years, (7) unexpended and unencumbered balances, and (8) revenue collection rates and prospects.

- (b) Prior to July 1, 2012, whenever for any fiscal year it appears that the resources of the general fund or any special revenue fund are likely to be insufficient to cover the appropriations made against such general fund or special revenue fund, the secretary of administration, on the advice of the director of the budget, shall, in such manner as he or shethe secretary of administration may determine, inaugurate the allotment system so as to assure that expenditures for any particular fiscal year will not exceed the available resources of the general fund or any special revenue fund for that fiscal year.
- (c) On and after July 1, 2012, whenever for any fiscal year it appears that:
- (1) The resources of any special revenue fund are likely to be insufficient to cover the appropriations made against such special revenue fund, the secretary of administration, on the advice of the director of the budget, shall, in such manner as the secretary of administration may determine, inaugurate the allotment system so as to assure that expenditures for any particular fiscal year will not exceed the available resources of any special revenue fund for that fiscal year.
- (2) The ending balance in the state general fund for such fiscal year is going to be equal to or less than 7.5% of the total amount expended or transferred by demand transfer from the state general fund in the preceding fiscal year, the secretary of administration, on the advice of the director of the budget, and on or before August 1 of such fiscal year, shall, in such manner as the secretary of administration may determine, inaugurate the allotment system so as to assure that the ending balance in the state general fund for the current fiscal year is estimated to be not less than 7.5% of the total amount expended or transferred by demand transfer from the state general fund in the preceding fiscal year.
  - (3) The ending balance in the state general fund for such fiscal year

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is going to be equal to or less than 7.5% of the total amount expended or transferred by demand transfer from the state general fund in the preceding fiscal year, the secretary of administration, on the advice of the director of the budget, and after August 1 of such fiscal year, shall, in such manner as the secretary of administration may determine, inaugurate the allotment system so as to assure that the ending balance in the state general fund for the current fiscal year is estimated to be not less than 7.5% of the total amount expended or transferred by demand transfer from the state general fund in the preceding fiscal year.

- (d) If at any time following an allotment system inaugurated pursuant to this section additional resources become available which reduce or eliminate the need for such allotment, the secretary of administration may make adjustments to such allotment system as the secretary deems necessary.
- (e) The allotment system shall not apply to the legislature or to the courts or their officers and employees.
- (f) Agencies affected by decisions of the secretary of administration under this section shall be notified in writing at least thirty (30)30 days before such decisions may become effective and any affected agency may, by written request addressed to the governor within ten (10)10 days after such notice, ask for a review of the decision by the finance-eouneilgovernor. The finance councilgovernor shall hear appeals and render a decision within twenty (20)20 days after the governor receives requests for such hearings.
- Sec. 4. K.S.A. 2010 Supp. 79-2959 is hereby amended to read as follows: 79-2959. (a) There is hereby created the local ad valorem tax reduction fund. All moneys transferred or credited to such fund under the provisions of this act or any other law shall be apportioned and distributed in the manner provided herein.
- (b) On January 15 and on July 15 of each year, the director of accounts and reports shall make transfers in equal amounts which in the aggregate equal 3.63% of the total retail sales and compensating taxes credited to the state general fund pursuant to articles 36 and 37 of chapter 79 of Kansas Statutes Annotated, and acts amendatory thereof and supplemental amendments thereto, during the preceding calendar year from the state general fund to the local ad valorem tax reduction fund, except that: (1) No moneys shall be transferred from the state general fund to the local ad valorem tax reduction fund during state fiscal years 2009, 2010, 2011, and 2012, and (2) the amount of the transfer on each such date shall be \$13,500,000 during fiscal year 2013, \$20,250,000 during fiscal year 2014, and \$27,000,000 during fiscal year 2015 and all fiscal years thereafter. All such transfers are subject to reduction under K.S.A. 75-6704, and amendments thereto. All transfers made in accordance with the

provisions of this section shall be considered to be demand transfers from the state general fund, except that all such transfers during fiscal year 2013 shall be considered to be revenue transfers from the state general fund.

- (c) The state treasurer shall apportion and pay the amounts transferred under subsection (b) to the several county treasurers on January 15 and on July 15 in each year as follows: (1) Sixty-five percent of the amount to be distributed shall be apportioned 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) thirty-five percent of such amount shall be apportioned 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.
- K.S.A. 2010 Supp. 79-2964 is hereby amended to read as Sec. 5. follows: 79-2964. There is hereby created the county and city revenue sharing fund. All moneys transferred or credited to such fund under the provisions of this act or any other law shall be allocated and distributed in the manner provided herein. The director of accounts and reports in each year on July 15 and December 10, shall make transfers in equal amounts which in the aggregate equal 2.823% of the total retail sales and compensating taxes credited to the state general fund pursuant to articles 36 and 37 of chapter 79 of the Kansas Statutes Annotated, and aetsamendatory thereof and supplemental amendments thereto, during the preceding calendar year from the state general fund to the county and city revenue sharing fund, except that no moneys shall be transferred from the state general fund to the county and city revenue sharing fund during state fiscal years 2011 and 2012. All such transfers are subject to reductionunder K.S.A. 75-6704, and amendments thereto. All transfers made in accordance with the provisions of this section shall be considered to be demand transfers from the state general fund.
- Sec. 6. K.S.A. 2010 Supp. 79-3425i is hereby amended to read as follows: 79-3425i. (a) On January 15 and July 15 of each year, the director of accounts and reports shall transfer a sum equal to the total taxes collected under the provisions of K.S.A. 79-6a04 and 79-6a10, and amendments thereto, and credited to the state general fund during the six months next preceding the date of transfer, from the state general fund to the special city and county highway fund, created by K.S.A. 79-3425, and amendments thereto, except that: (1) Such transfers are subject to reduction under K.S.A. 75-6704, and amendments thereto; and (2) No moneys shall be transferred from the state general fund to the special city and county highway fund during state fiscal year 2010, state fiscal year 2011 or state fiscal year 2012. All transfers under this section shall be considered to be demand transfers from the state general fund and (3) (A)

1 (1) on each January 14, April 14, July 14 and October 14 of state fiscal 2 years 2012, 2013, 2014, 2015 and 2016 the state treasurer shall determine 3 the amount of money to be paid the counties and cities on such dates of such year, pursuant to K.S.A. 79-3425c, and amendments thereto, and 4 5 make the following adjustments prior to the apportionment and payment 6 specified in K.S.A. 79-3425c, and amendments thereto: (i)(A) The 7 following amounts shall be added to the apportionment and payment to be 8 paid to the following counties: Barton county, \$7,984.99; Butler county, 9 \$96,937.27; Douglas county, \$128,245.99; Leavenworth \$55,766.22; Shawnee county, \$267,356.20; and  $\frac{\text{(ii)}}{B}$  the following 10 amounts shall be deducted from the apportionment and payment to the 11 12 following counties: Allen county, \$3,839.12; Anderson county, \$2,957.98; 13 Atchison county, \$4,345.79; Barber county, \$1,813.76; Bourbon county, 14 Brown county, \$1,590.14; Chase county, 15 Chautauqua county, \$539.42; Cherokee county, \$5,874.25; Cheyenne 16 county, \$1,317.84; Clark county, \$757.32; Clay county, \$968.54; Cloud county, \$2,774.68; Coffey county, \$2,894.76; Comanche county, \$446.63; 17 Cowley county, \$2,116.31; Crawford county, \$5,558.19; Decatur county, 18 19 \$1,615.15; Dickinson county, \$6,024.00; Doniphan county, \$2,626.24; Edwards county, \$1,580.33; Elk county, \$525.08; Ellis county, \$8,774.46; 20 21 Ellsworth county, \$2,334.37; Finney county, \$5,837.57; Ford county, 22 \$7,048.03; Franklin county, \$6,898.28; Geary county, \$976.57; Gove 23 county, \$1,058.76; Graham county, \$1,409.48; Grant county, \$1,936.03; 24 Gray county, \$2,355.25; Greeley county, \$941.53; Greenwood county, 25 \$2,701.29; Hamilton county, \$1,060.71; Harper county, \$1,466.35; Harvey 26 county, \$7,863.46; Haskell county, \$1,335.39; Hodgeman county, \$959.20; 27 Jackson county, \$4,647.68; Jefferson county, \$6,701.43; Jewell county, 28 \$1,211.66; Johnson county, \$115,947.72; Kearny county, \$1,160.82; Kingman county, \$2,801.87; Kiowa county, \$1,441.36; Labette county, 29 30 \$5,563.25; Lane county, \$652.48; Lincoln county, \$1,203.05; Linn county, 31 \$3,772.22; Logan county, \$1,169.58; Lyon county, \$8,236.73; Marion county, \$3,681.52; Marshall county, \$3,878.17; McPherson county, 32 33 \$8,652.66; Meade county, \$1,048.56; Miami county, \$10,701.45; Mitchell 34 county, \$3,466.79; Montgomery county, \$8,377.29; Morris county, 35 \$1,955.91; Morton county, \$1,200.61; Nemaha county, \$3,774.74; Neosho 36 county, \$5,507.28; Ness county, \$991.77; Norton county, \$1,800.14; Osage 37 county, \$2,327.93; Osborne county, \$1,882.73; Ottawa county, \$2,063.91; 38 Pawnee county, \$1,802.09; Phillips county, \$2,622.20; Pottawatomie 39 county, \$6,512.08; Pratt county, \$2,187.16; Rawlins county, \$1,119.60; 40 Reno county, \$12,935.71; Republic county, \$2,272.31; Rice county, \$1,722.51; Riley county, \$11,149.53; Rooks county, \$2,252.51; Rush 41 42 county, \$1,235.76; Russell county, \$577.59; Saline county, \$14,049.86; 43 Scott county, \$1,340.37; Sedgwick county, \$117,126.91; Seward county,

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\$4,488.67; Sheridan county, \$1,786.11; Sherman county, \$194.37; Smith 1 2 county, \$1,993.99; Stafford county, \$2,029.27; Stanton county, \$991.97; 3 Stevens county, \$638.08; Sumner county, \$5,908.68; Thomas county, \$3,388.44; Trego county, \$1,781.87; Wabaunsee county, \$2,354.10; 4 5 Wallace county, \$994.33; Washington county, \$2,554.75; Wichita county, 6 \$1,333.92; Wilson county, \$3,659.10; Woodson county, \$1,214.90; 7 Wyandotte county, \$16,818.00; (B)(2) after determining and including 8 such additions and deductions, the resulting apportionment and payment 9 shall be paid by the state treasurer to the counties and cities prescribed 10 therefor, notwithstanding the provisions of K.S.A. 79-3425c, and amendments thereto, or any other statute, each January 14, April 14, July 11 12 14 and October 14 of state fiscal years 2012, 2013, 2014, 2015 and 2016, 13 with the requirement that the additional moneys received by each such 14 county shall be deposited and administered in accordance with K.S.A. 79-15 3425c, and amendments thereto, including any redistributions provided for 16 by that statute, except that the state treasurer shall calculate the annual 17 equalization payment to each county without considering the deductions or 18 additions to quarterly distributions required by subsection  $\frac{(a)(3)(A)}{(a)(1)}$ ; 19 and (C)(3) acceptance of the payments made pursuant to this subsection 20 (a)(3) shall be deemed as payment in full and a release of any liability 21 from the county to the state treasurer for payments from the special city 22 and county highway fund for state fiscal years 2000 through 2009.

(b) During the state fiscal year ending June 30, 2010, on July 15, 2009, and January 15, 2010, the director of accounts and reports shall transfer \$2,515,916 from the state highway fund to the special city and county highway fund, created by K.S.A. 79-3425, and amendments thereto.

Sec. 7. K.S.A. 2010 Supp. 82a-953a is hereby amended to read as follows: 82a-953a. During each fiscal year, the director of accounts and reports shall transfer \$6,000,000 from the state general fund to the state water plan fund created by K.S.A. 82a-951, and amendments thereto, onehalf of such amount to be transferred on July 15 and one-half to be transferred on January 15, except that (1) such transfers during each fiscal year commencing after June 30, 2008, are subject to reduction under-K.S.A. 75-6704, and amendments thereto, (2) the total amount of moneys transferred from the state general fund to the state water plan fund during the fiscal year ending June 30, 2009, shall not exceed \$2,000,000,  $\frac{(3)}{(2)}$ the total amount of moneys transferred from the state general fund to the state water plan fund during the fiscal year ending June 30, 2010, shall not exceed \$3,295,432, and  $\frac{(4)}{(3)}$  the total amount of moneys transferred from the state general fund to the state water plan fund during the fiscal year ending June 30, 2011, shall not exceed \$1,348,245. On the effective date of this act, the director of accounts and reports shall transfer the amount in

excess of \$2,000,000 which was transferred from the state general fund to the state water plan fund prior to the effective date of this act during the fiscal year ending June 30, 2009, as certified by the director of the budget to the director of accounts and reports to the state general fund. All transfers under this section shall be considered to be demand transfers from the state general fund, except that all such transfers during the fiscal years ending June 30, 2010, and June 30, 2011, shall be considered revenue transfers from the state general fund.

Sec. 8. K.S.A. 75-3722 and 75-6704 and K.S.A. 2010 Supp. 72-6410, 75-2263, 79-2959, 79-2964, 79-3425i and 82a-953a are hereby repealed.

Sec. 9. This act shall take effect and be in force from and after its publication in the Kansas register.