

House Substitute for SENATE BILL No. 245

AN ACT making and concerning education funding; relating to mineral production; creating the mineral production education fund; abolishing the oil and gas valuation depletion trust fund; concerning school financing sources; making and concerning appropriations for fiscal year 2017; amending K.S.A. 2013 Supp. 19-101a, 19-271, 72-6410, as amended by section 37 of 2014 Senate Substitute for House Bill No. 2506, 72-6431, as amended by section 41 of 2014 Senate Substitute for House Bill No. 2506, 79-4227 and 79-4231 and repealing the existing sections; also repealing K.S.A. 2013 Supp. 19-271, as amended by section 5 of this act and 79-4231, as amended by section 9 of this act.

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

Section 1.

DEPARTMENT OF EDUCATION

(a) There is appropriated for the above agency from the following special revenue fund or funds for the fiscal year ending June 30, 2017, all moneys now or hereafter lawfully credited to and available in such fund or funds, except that expenditures other than refunds authorized by law and transfers to other state agencies shall not exceed the following:

Mineral production education fund..... No limit

New Sec. 2. (a) There is hereby established in the state treasury the mineral production education fund which shall be administered by the department of education. On and after July 1, 2016, all moneys that are to be credited to the mineral production education fund pursuant to the provisions of K.S.A. 79-4227, and amendments thereto, shall be deposited in the state treasury in accordance with the provisions of K.S.A. 75-4215, and amendments thereto, and shall be credited to the mineral production education fund. All expenditures from the mineral production education fund shall be for school district finance. All expenditures from the mineral production education 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 commissioner of education or the designee of the commissioner.

(b) On January 15 and July 15 of each year, the director of accounts and reports shall transfer a sum equal to the total amount of moneys credited to the mineral production education fund during the six months next preceding the date of transfer, from the mineral production education fund to the state school district finance fund.

New Sec. 3. On July 1, 2016, the director of accounts and reports shall transfer all moneys in the oil and gas valuation depletion trust fund to the state general fund. On July 1, 2016, all liabilities of the oil and gas valuation depletion trust fund are hereby transferred to and imposed on the state general fund, and the oil and gas valuation depletion trust fund is hereby abolished.

Sec. 4. On and after July 1, 2016, K.S.A. 2013 Supp. 19-101a is hereby amended to read as follows: 19-101a. (a) The board of county commissioners may transact all county business and perform all powers of local legislation and administration it deems appropriate, subject only to the following limitations, restrictions or prohibitions:

(1) Counties shall be subject to all acts of the legislature which apply uniformly to all counties.

(2) Counties may not affect the courts located therein.

(3) Counties shall be subject to acts of the legislature prescribing limits of indebtedness.

(4) In the exercise of powers of local legislation and administration authorized under provisions of this section, the home rule power conferred on cities to determine their local affairs and government shall not be superseded or impaired without the consent of the governing body of each city within a county which may be affected.

(5) Counties may not legislate on social welfare administered under state law enacted pursuant to or in conformity with public law No. 271 — 74th congress, or amendments thereof.

(6) Counties shall be subject to all acts of the legislature concerning elections, election commissioners and officers and their duties as such officers and the election of county officers.

(7) Counties shall be subject to the limitations and prohibitions imposed under K.S.A. 12-187 to 12-195, inclusive, and amendments thereto, prescribing limitations upon the levy of retailers' sales taxes by counties.

(8) Counties may not exempt from or effect changes in statutes made nonuniform in application solely by reason of authorizing exceptions for counties having adopted a charter for county government.

(9) No county may levy ad valorem taxes under the authority of this section upon real property located within any redevelopment project area established under the authority of K.S.A. 12-1772, and amendments thereto, unless the resolution authorizing the same specifically authorized a portion of the proceeds of such levy to be used to pay the principal of and interest upon bonds issued by a city under the authority of K.S.A. 12-1774, and amendments thereto.

(10) Counties shall have no power under this section to exempt from any statute authorizing or requiring the levy of taxes and providing substitute and additional provisions on the same subject, unless the resolution authorizing the same specifically provides for a portion of the proceeds of such levy to be used to pay a portion of the principal and interest on bonds issued by cities under the authority of K.S.A. 12-1774, and amendments thereto.

(11) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-4601 through 19-4625, and amendments thereto.

(12) Except as otherwise specifically authorized by K.S.A. 12-1,101 through 12-1,109, and amendments thereto, counties may not levy and collect taxes on incomes from whatever source derived.

(13) Counties may not exempt from or effect changes in K.S.A. 19-430, and amendments thereto.

(14) Counties may not exempt from or effect changes in K.S.A. 19-302, 19-502b, 19-503, 19-805 or 19-1202, and amendments thereto.

(15) Counties may not exempt from or effect changes in K.S.A. 19-15,139, 19-15,140 and 19-15,141, and amendments thereto.

(16) Counties may not exempt from or effect changes in the provisions of K.S.A. 12-1223, 12-1225, 12-1225a, 12-1225b, 12-1225c and 12-1226, and amendments thereto, or the provisions of K.S.A. 12-1260 through 12-1270 and 12-1276, and amendments thereto.

(17) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-211, and amendments thereto.

(18) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-4001 through 19-4015, and amendments thereto.

(19) Counties may not regulate the production or drilling of any oil or gas well in any manner which would result in the duplication of regulation by the state corporation commission and the Kansas department of health and environment pursuant to chapter 55 and chapter 65 of the Kansas Statutes Annotated, and amendments thereto, and any rules and regulations adopted pursuant thereto. Counties may not require any license or permit for the drilling or production of oil and gas wells. Counties may not impose any fee or charge for the drilling or production of any oil or gas well.

(20) Counties may not exempt from or effect changes in K.S.A. 79-41a04, and amendments thereto.

(21) Counties may not exempt from or effect changes in K.S.A. 79-1611, and amendments thereto.

(22) Counties may not exempt from or effect changes in K.S.A. 79-1494, and amendments thereto.

(23) Counties may not exempt from or effect changes in subsection (b) of K.S.A. 19-202, and amendments thereto.

(24) Counties may not exempt from or effect changes in subsection (b) of K.S.A. 19-204, and amendments thereto.

(25) Counties may not levy or impose an excise, severance or any other tax in the nature of an excise tax upon the physical severance and production of any mineral or other material from the earth or water.

(26) Counties may not exempt from or effect changes in K.S.A. 79-2017 or 79-2101, and amendments thereto.

(27) Counties may not exempt from or effect changes in K.S.A. 2-3302, 2-3305, 2-3307, 2-3318, 17-5904, 17-5908, 47-1219, 65-171d, 65-1,178 through 65-1,199, 65-3001 through 65-3028, and amendments thereto.

(28) Counties may not exempt from or effect changes in K.S.A. 2013 Supp. 80-121, and amendments thereto.

(29) Counties may not exempt from or effect changes in K.S.A. 19-228, and amendments thereto.

(30) Counties may not exempt from or effect changes in the wireless enhanced 911 act, in the VoIP enhanced 911 act or in the provisions of K.S.A. 12-5301 through 12-5308, and amendments thereto.

(31) Counties may not exempt from or effect changes in K.S.A. 2013 Supp. 26-601, and amendments thereto.

(32) (A) Counties may not exempt from or effect changes in the Kansas liquor control act except as provided by paragraph (B).

(B) Counties may adopt resolutions which are not in conflict with the Kansas liquor control act.

(33) (A) Counties may not exempt from or effect changes in the Kansas cereal malt beverage act except as provided by paragraph (B).

(B) Counties may adopt resolutions which are not in conflict with the Kansas cereal malt beverage act.

(34) Counties may not exempt from or effect changes in the Kansas lottery act.

(35) Counties may not exempt from or effect changes in the Kansas expanded lottery act.

(36) Counties may neither exempt from nor effect changes to the eminent domain procedure act.

(37) Any county granted authority pursuant to the provisions of K.S.A. 19-5001 through 19-5005, and amendments thereto, shall be subject to the limitations and prohibitions imposed under K.S.A. 19-5001 through 19-5005, and amendments thereto.

(38) Except as otherwise specifically authorized by K.S.A. 19-5001 through 19-5005, and amendments thereto, counties may not exercise any authority granted pursuant to K.S.A. 19-5001 through 19-5005, and amendments thereto, including the imposition or levy of any retailers' sales tax.

~~(39) Counties may not exempt from or effect changes in K.S.A. 2013 Supp. 19-271, and amendments thereto.~~

(b) Counties shall apply the powers of local legislation granted in subsection (a) by resolution of the board of county commissioners. If no statutory authority exists for such local legislation other than that set forth in subsection (a) and the local legislation proposed under the authority of such subsection is not contrary to any act of the legislature, such local legislation shall become effective upon passage of a resolution of the board and publication in the official county newspaper. If the legislation proposed by the board under authority of subsection (a) is contrary to an act of the legislature which is applicable to the particular county but not uniformly applicable to all counties, such legislation shall become effective by passage of a charter resolution in the manner provided in K.S.A. 19-101b, and amendments thereto.

(c) Any resolution adopted by a county which conflicts with the restrictions in subsection (a) is null and void.

Sec. 5. On and after July 1, 2014, K.S.A. 2013 Supp. 19-271 is hereby amended to read as follows: 19-271. (a) The board of county commissioners of each county shall establish a county oil and gas valuation depletion trust fund if the county is to receive moneys from the oil and gas valuation depletion trust fund created under the provisions of K.S.A. 2013 Supp. 79-4231, and amendments thereto. The county treasurer shall be responsible for the administration of such fund.

~~(b) Upon receipt of an authorization for distribution of county oil and gas valuation depletion trust fund moneys pursuant to K.S.A. 2013 Supp. 79-4231, and amendments thereto, the county treasurer shall release 20% of the moneys credited to such county's trust account to the county general fund for expenditure as directed by the board. On and after July 1, 2014, the moneys in the county's oil and gas valuation depletion trust fund shall be expended as directed by the board.~~

~~(c) Moneys credited to the county oil and gas valuation depletion trust fund shall be subject to the provisions of K.S.A. 79-2025 through 79-2037, and amendments thereto. In making the budgets of such county, the amounts credited to, and the amount on hand in, such fund and the amount expended therefrom shall be shown thereon for the information of the taxpayers of such county. Moneys in such fund may be invested in accordance with the provisions of K.S.A. 10-131, and amendments thereto, with interest thereon credited to such fund.~~

Sec. 6. On and after July 1, 2014, K.S.A. 2013 Supp. 72-6410, as amended by section 37 of 2014 Senate Substitute for House Bill No. 2506, 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) Subject to the other provisions of this subsection, “base state aid per pupil” means an amount appropriated by the legislature in a fiscal year for the designated year. The amount of base state aid per pupil for school year 2014-2015, and each school year thereafter, shall be at least \$3,838.

(2) The amount of base state aid per pupil is subject to reduction commensurate 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) “School financing sources” means the sum of the following amounts:

~~(1) An amount equal to the proceeds from the state public school financing levy;~~

~~(2)~~—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;

~~(3)~~(2) 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;

~~(4)~~(3) 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;

~~(5)~~(4) 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;

~~(6)~~(5) 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;

~~(7)~~(6) 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 the Kansas Statutes Annotated, *and amendments thereto*, and under the provisions of articles 42 and 51 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto;

~~(8)~~(7) an amount equal to the amount of payments received by the district under the provisions of K.S.A. 72-979, and amendments thereto;

~~(9)~~(8) 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

~~(10)~~(9) 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.

~~(e) “State public school financing levy” means the tax levied under the authority of K.S.A. 72-6431, and amendments thereto.~~

Sec. 7. On and after July 1, 2014, K.S.A. 2013 Supp. 72-6431, as amended by section 41 of 2014 Senate Substitute for House Bill No. 2506, is hereby amended to read as follows: 72-6431. (a) The board of each

district shall levy an ad valorem tax upon the taxable tangible property of the district in the school years specified in subsection (b) for the purpose of:

(1) Financing that portion of the district's general fund budget which is not financed from any other source provided by law;

(2) paying a portion of the costs of operating and maintaining public schools in partial fulfillment of the constitutional obligation of the legislature to finance the educational interests of the state; and

(3) with respect to any redevelopment district established prior to July 1, 1997, pursuant to K.S.A. 12-1771, and amendments thereto, paying a portion of the principal and interest on bonds issued by cities under authority of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects upon property located within the district.

(b) The tax required under subsection (a) shall be levied at a rate of 20 mills in the school year 2013-2014 and school year 2014-2015.

(c) The proceeds from the tax levied by a district under authority of this section, except the proceeds of such tax levied for the purpose of paying a portion of the principal and interest on bonds issued by cities under authority of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects upon property located within the district, shall be deposited in the general fund of the district remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the state school district finance fund.

(d) ~~On June 6 of each year, the amount, if any, by which a district's school financing sources exceeds the amount of the district's state financial aid, as determined by the state board, shall be remitted to the state treasurer. Upon receipt of any such remittance, the state treasurer shall deposit the same in the state treasury to the credit of the state school district finance fund.~~

~~(e)~~—No district shall proceed under K.S.A. 79-1964, 79-1964a or 79-1964b, and amendments thereto.

Sec. 8. K.S.A. 2013 Supp. 79-4227 is hereby amended to read as follows: 79-4227. (a) All revenue collected or received by the director from the tax imposed by this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury. The state treasurer shall first credit such amount as the director shall order to the mineral production tax refund fund created under subsection (b) of this section. ~~Except as otherwise provided by this section, the state treasurer shall credit the remainder of such amounts as follows: (1) Seven percent to the special county mineral production tax fund created under subsection (c) of this section; and (2) the remainder shall be credited to the state general fund. On and after July 1, 2012, and thereafter, except as otherwise provided by this section, the state treasurer shall credit the remainder of such amounts for oil and gas for any county which had \$100,000 or more in receipts of the excise tax upon the severance and production of oil and gas as follows: (1) Seven percent to the special county mineral production tax fund created under subsection (c); (2) 12.41% to the oil and gas valuation depletion trust fund; and (3) the remainder shall be credited to the state general fund. Any revenue collected or received from the tax imposed by this act during fiscal year 2013 shall be credited as provided in this section as in existence on the effective date of this act. On and after July 1, 2013, through June 30, 2014, the state treasurer shall credit the remainder of such amounts for oil and gas for any county which had \$100,000 or more in receipts of the excise tax upon the severance and production of oil and gas as follows: (1) Seven percent to the special county mineral production tax fund created under subsection (c); (2) 6% to the oil and gas valuation depletion trust fund; and (3) the remainder shall be credited to the state general fund. On and after July 1, 2014, through June 30, 2015, the state treasurer shall credit the remainder of such amounts for oil and gas for any county which had \$100,000 or more in receipts of the excise tax upon the severance and production of oil and gas as follows: (1) Seven percent to the special county mineral production tax fund created under subsection (c); (2) 8% to the oil and gas valuation~~

~~depletion trust fund, and (3) the remainder shall be credited to the state general fund~~ *Second, the state treasurer shall credit 7% of the remainder of such amounts to the special county mineral production tax fund created in subsection (c). Finally, the state treasurer shall credit the remainder of such amounts collected or received from the tax imposed by this act during fiscal years 2013, 2014 and 2015 for oil and gas for any county which had \$100,000 or more in receipts of the excise tax upon the severance and production of oil and gas as follows: (1) 12.41% to the oil and gas valuation depletion trust fund; and (2) the remainder shall be credited to the state general fund. The state treasurer shall credit the remainder of such amounts collected or received from the tax imposed by this act during fiscal year 2016, and thereafter, and distributed during fiscal year 2017, and thereafter, for oil and gas for any county which had \$100,000 or more in receipts of the excise tax upon the severance and production of oil and gas as follows: (1) 20% to the mineral production education fund created in section 2, and amendments thereto; and (2) the remainder shall be credited to the state general fund.*

(b) A refund fund designated as “mineral production tax refund fund” not to exceed \$50,000 is hereby created for the prompt payment of all tax refunds. The mineral production tax refund fund shall be in such amount, within the limit set by this section, as the director shall determine is necessary to meet current refunding requirements under this act.

(c) There is hereby created a special county mineral production tax fund. On December 1, 1983, and quarterly thereafter, the director of taxation shall distribute all moneys credited to such fund to the county treasurers of all counties in which taxes were levied under K.S.A. 79-4217, and amendments thereto, for the severing and producing of coal, oil or gas from property within the county, in the proportion that the taxes levied upon production in each county bears to the total of all of such taxes levied in all of such counties. Such distribution shall be based on returns filed, with any adjustments or corrections thereto made by the director of taxation.

(d) The secretary of revenue shall make provision for the determination of the counties within which taxes are levied under K.S.A. 79-4217, and amendments thereto, for the severance of coal, oil or gas and shall certify the same to the director of accounts and reports.

(e) The director of accounts and reports shall draw warrants on the state treasurer payable to the county treasurer of each county entitled to payment from the special county mineral production tax fund upon vouchers approved by the director of taxation. Upon receipt of such warrant, each county treasurer shall credit 50% of the amount thereof to the county general fund and shall distribute the remaining 50% thereof to the treasurer of each school district all or any portion of which is located within the county in the proportion that the assessed value of coal, oil and gas properties within each district bears to the total of the assessed value of all coal, oil and gas properties within the county. Such assessed valuation shall be determined upon the basis of the most recent November 1 tax roll. The treasurer of each school district shall credit the entire amount of the moneys so received to the general fund of the school district.

Sec. 9. On and after July 1, 2014, K.S.A. 2013 Supp. 79-4231 is hereby amended to read as follows: 79-4231. (a) There is hereby created in the state treasury the oil and gas valuation depletion trust fund. The director of taxation shall administer the oil and gas valuation depletion trust fund. All amounts credited to the oil and gas valuation depletion trust fund pursuant to the provisions of K.S.A. 79-4227, and amendments thereto, less the administration fee imposed under subsection ~~(e)~~ (b), shall be credited to a separate trust account which shall be established within such fund for each county which in any fiscal year had \$100,000 or more in receipts of the excise tax upon the severance and production of oil and gas. Each county’s trust account shall be credited in the proportion that the amount of oil and gas valuation depletion trust fund receipts collected from that county bears to the total amount of moneys credited to the oil and gas valuation depletion trust fund pursuant to K.S.A. 79-4227, and amendments thereto. Commencing July 1, 2012, and thereafter on an annual basis, the director of taxation shall certify to the director of accounts and reports the amount due the county from the county’s oil and

gas depletion trust account on October 1 based on all amounts credited thereto, and the director of accounts and reports shall draw a warrant upon the state treasurer in favor of each such county for the amount credited to such county's trust account. Upon receipt of such warrant, the treasurer of the county shall credit the same to the oil and gas valuation depletion trust fund of the county established in K.S.A. 2013 Supp. 19-271, and amendments thereto. Except that the director of taxation shall transfer all of the moneys credited to the Wilson county trust account to the Wilson county capital improvement fund in any such tax year until the payment of all costs of financing projects authorized pursuant to K.S.A. 2013 Supp. 74-8961, and amendments thereto, has been completed, and at that time the provisions of this subsection related to distributions to the Wilson county treasurer shall be applicable as provided in this subsection.

~~(b) For any tax year that the oil and gas leasehold ad valorem valuation of any county, which has a trust account established and maintained in a county oil and gas valuation depletion trust fund as provided by K.S.A. 2013 Supp. 19-271, and amendments thereto, is less than 50% of the oil and gas leasehold ad valorem valuation of such county for the second succeeding tax year which commences January 1 following the end of the fiscal year in which the county had \$100,000 or more in receipts of the excise tax upon the production of oil and gas, as certified by the property valuation division, on or before January 15 of the year following such tax year, the director of taxation shall certify the oil and gas leasehold ad valorem valuation amounts for each county and shall authorize the county treasurer to release 20% of the moneys credited to such county's oil and gas valuation depletion trust fund to the county general fund of such county. In any year in which a county's oil and gas leasehold valuation is 50% or more of the oil and gas leasehold valuation of such county for tax year as described in this subsection, such county shall not receive an authorization for distribution of trust fund moneys pursuant to this section for such tax year.~~

~~(e)~~—The director of taxation shall impose and collect an administration fee for the administration of the oil and gas valuation depletion trust fund, this section and the provisions of K.S.A. 2013 Supp. 79-4227, and amendments thereto, equal to 2% of the amount credited to the oil and gas valuation depletion trust fund. The administration fee shall be imposed and collected prior to crediting any amount to any trust account established and maintained for a county in the oil and gas valuation depletion trust fund. All amounts collected for the administration fee shall be transferred from the oil and gas valuation depletion trust fund to the state general fund.

~~(d)~~(c) All moneys credited to the oil and gas valuation depletion trust fund upon the effective date of this act shall be distributed to each county not later than 30 days following the effective date of this act for deposit in the county's oil and gas valuation depletion trust fund established pursuant to the provisions of K.S.A. 2013 Supp. 19-271, and amendments thereto.

Sec. 10. K.S.A. 2013 Supp. 79-4227 is hereby repealed.

Sec. 11. On and after July 1, 2014, K.S.A. 2013 Supp. 19-271, 72-6410, as amended by section 37 of 2014 Senate Substitute for House Bill No. 2506, 72-6431, as amended by section 41 of 2014 Senate Substitute for House Bill No. 2506 and 79-4231 are hereby repealed.

Sec. 12. On and after July 1, 2016, K.S.A. 2013 Supp. 19-101a, 19-271, as amended by section 5 of this act and 79-4231, as amended by section 9 of this act, are hereby repealed.

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

I hereby certify that the above BILL originated in the SENATE, and passed that body

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

Passed the HOUSE
as amended _____

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

APPROVED _____

Governor.