



Susan Montee, CPA  
Missouri State Auditor

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## ADMINISTRATION

# Review of Article X, Sections 16 Through 24, Constitution of Missouri

Year Ended June 30, 2007

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January 2008  
Report No. 2008-06



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Office Of  
Missouri State Auditor  
Susan Montee, CPA

January 2008

**The following is a review conducted by our office of Article X, Sections 16 through 24, Constitution of Missouri.**

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On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

The State Auditor's Office performs a review of the state's compliance with the provisions of the Hancock Amendment to verify the accuracy of the revenue limit computation performed by the Office of Administration, Division of Budget and Planning (OA-BP). The auditor's review agreed with the OA-BP that no refund is due to taxpayers for the year ended June 30, 2007.

Total state revenue was calculated at \$9 billion, while the refund threshold was calculated at \$10.4 billion, which means state revenue was under the revenue limit by \$1.4 billion for the year ended June 30, 2007.

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YELLOW SHEET

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

Honorable Matt Blunt, Governor  
and  
Members of the General Assembly  
and  
Michael Keathley, Commissioner  
Office of Administration  
Jefferson City, MO 65102

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2007, and the application to those revenues of Article X, Sections 16 through 24, of the Constitution of Missouri, more commonly referred to as the Hancock Amendment (included as an Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 2006. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

1. Evaluate the formula to calculate the state's revenue limit.
2. Determine the specific items included in total state revenues.
3. Verify the accuracy of the revenue limit computation and compare that limit to total state revenues.
4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our methodology to accomplish these objectives included discussions with personnel of the Office of Administration, Division of Budget and Planning, inspecting relevant records and reports compiled by that office, and reviewing reports from the statewide accounting system. We reviewed this information to the extent necessary to satisfy ourselves that the information in the Exhibits is fairly stated in all material respects.

The Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, of the Constitution of Missouri.



Susan Montee, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Kenneth W. Kuster, CPA  
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## EXECUTIVE SUMMARY

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
EXECUTIVE SUMMARY

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missouri's personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 2007, 2006, 2005, 2004, and 2003. The results of our review determined that for the year ended June 30, 2007, TSR was approximately \$1.38 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2007.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of TSR unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation. Thus, the Hancock Amendment presents unique financial related legal requirements that must be taken into consideration. The items that the Supreme Court specifically ruled on are as follows:

1. The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by an offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.
2. The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local government is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.
3. Revenue from one dollar of a state imposed two dollar admission fee to gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
4. Ten percent of the revenue for an adjusted gross receipts tax imposed by the state on gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
5. An adjustment to the revenue limit related to the state assuming certain judicial clerk salaries is appropriate.



On November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar of the state imposed two dollar admission fee to gaming riverboats is not included in TSR while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats is included in TSR.

The State Auditor's Office (SAO) and the Office of Administration, Division of Budget and Planning (OA-BP) did not present an issue to the Supreme Court concerning the proper accounting for the effect of tax refunds. However, because the Supreme Court decision indicated that the Hancock provisions in the constitution require the actual receipt of revenue, the amendment presents a cash basis system of accounting. Based on the Court's decision, the SAO has changed the calculation of refunds from an appropriations basis to a cash basis.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43(b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eighth of one percent sales tax imposed by Article IV, Section 43(a) is not includable in TSR.

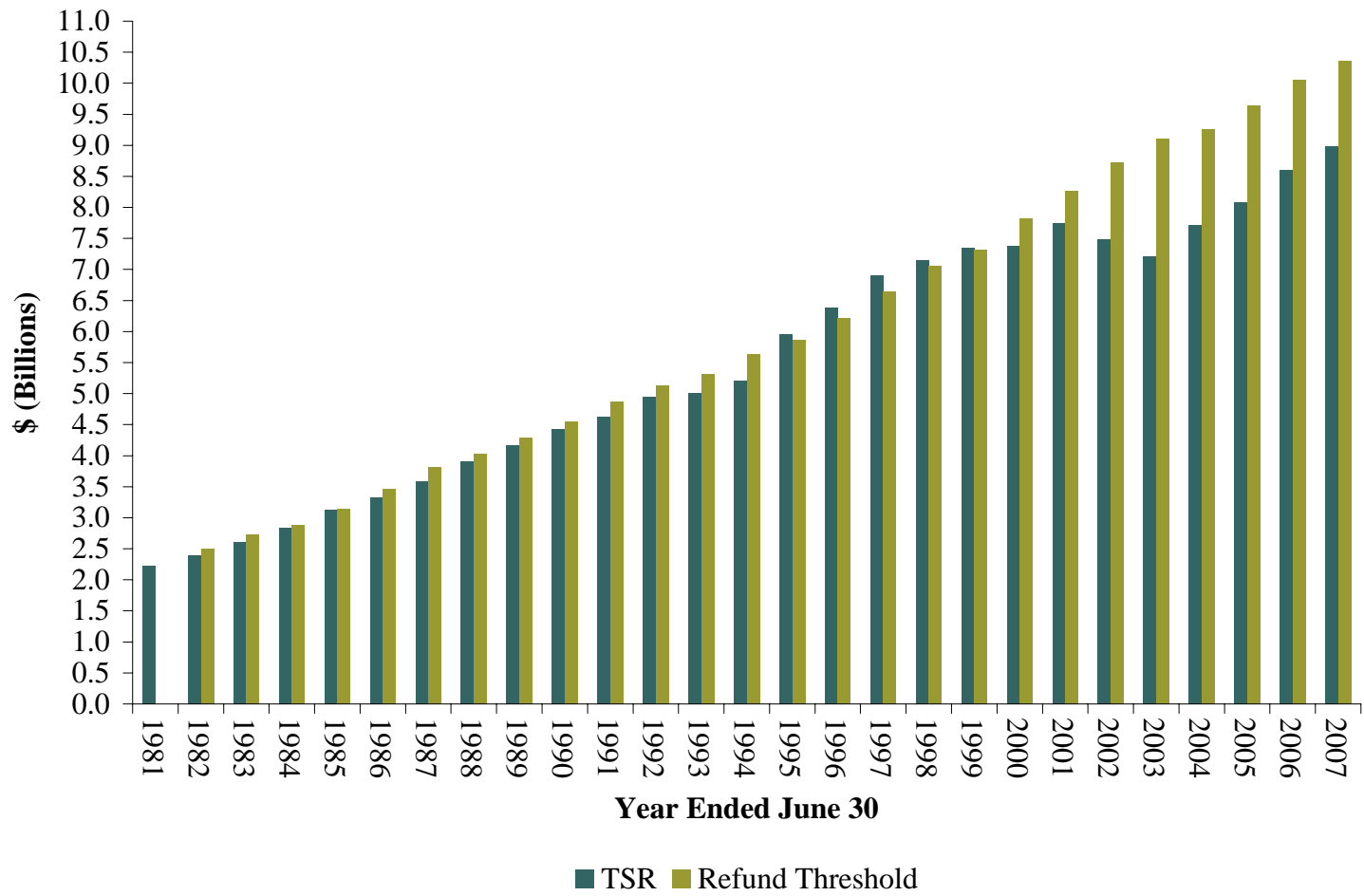
This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately \$6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 and 1996. The Conservation Federation filed suit declaring that moneys in the Conservation Fund may not be used to make these refunds and that the sales tax proceeds are not includable in TSR. The Supreme Court ruled that Article IV, Section 43(b) requires that conservation funds be expended for conservation purposes as specified in that section and using these funds to pay for Hancock refunds is, therefore, unconstitutional.

This decision also related to whether the conservation sales tax should be included in TSR. The Supreme Court noted that the conservation sales tax imposed by Section 42(a) was enacted by a vote of the people in 1976, which was four years before the Hancock Amendment was approved. However, Section 43(b) was adopted contemporaneously with the Hancock Amendment and, therefore, went into effect after the Hancock Amendment's baseline period for TSR, which was fiscal year 1981. Thus, this case presents the unique situation that a tax was approved by the voters prior to the Hancock Amendment, but the voter-approved (indeed voter mandated) spending of that revenue was approved after the Hancock Amendment's initial tax and spending ceiling was calculated.

Since the state had already paid refunds to taxpayers for fiscal years 1995, 1996, and 1997, the state decided not to recalculate TSR for those years. However, for fiscal year 1998, the state excluded the conservation sales tax (and related interest earnings) from TSR in accordance with the Supreme Court decision. In addition, the state will not pay any refunds (for prior years or future years) from the Conservation Fund.

In December 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation

sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue limit and TSR. These two lawsuits were consolidated, and on March 8, 2001, the Missouri Supreme Court handed down its decision in Missouri Merchants and Manufacturers Assoc. v. State of Missouri, 2001 WL 224725 (Mo.). The court held that the auditor and the OA-BP correctly decided to keep conservation sales tax revenues in the baseline calculation, while excluding them from yearly total state revenues. The court further found that tax credits which exceed a taxpayer's liability, resulting in a refund to the individual taxpayer, should be included in the calculation of total state revenue. Starting in fiscal year 2001, the OA-BP has included certain tax credits in the calculation of total state revenue.



## EXHIBITS

Exhibit A

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24, CONSTITUTION OF MISSOURI  
 SUMMARY OF TOTAL STATE REVENUE AND REFUND CALCULATIONS  
 (IN MILLIONS)

	Year Ended June 30,				
	2003	2004	2005	2006	2007
<b>TOTAL STATE REVENUE (TSR)</b>					
Total state receipts	\$ 18,347.05	18,893.99	19,500.87	20,919.97	21,928.92
Less excluded revenue	(9,904.25)	(10,050.55)	(10,288.16)	(11,170.56)	(11,675.58)
Less expenditure refunds	(1,252.34)	(1,126.23)	(1,127.33)	(1,185.51)	(1,272.91)
Add refundable tax credits	10.07	4.07	4.79	31.20	5.08
<b>TSR</b>	<b>\$ 7,200.53</b>	<b>7,721.28</b>	<b>8,090.17</b>	<b>8,595.10</b>	<b>8,985.51</b>

**REVENUE LIMIT AND REFUND THRESHOLD**

Missouri personal income	\$ 159,093.00	161,648.00	168,512.00	175,524.00	181,066.00
Base year ratio	x 0.056395	0.056395	0.056395	0.056395	0.056395
Base limit	8,972.05	9,116.14	9,503.23	9,898.68	10,211.22
Judicial article amendment	43.52	44.28	45.81	45.81	47.64
Revenue limit	9,015.57	9,160.42	9,549.04	9,944.49	10,258.86
1 percent adjustment	90.16	91.60	95.49	99.44	102.59
<b>Refund threshold</b>	<b>\$ 9,105.73</b>	<b>9,252.02</b>	<b>9,644.53</b>	<b>10,043.93</b>	<b>10,361.45</b>

**REFUND CALCULATION**

TSR	\$ 7,200.53	7,721.28	8,090.17	8,595.10	8,985.51
Less refund threshold	9,105.73	9,252.02	9,644.53	10,043.93	10,361.45
Over (Under) Threshold	(1,905.20)	(1,530.74)	(1,554.36)	(1,448.83)	(1,375.94)
1 percent adjustment	0.00	0.00	0.00	0.00	0.00
<b>Refund</b>	<b>\$ 0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1001	Sales and use tax	\$ 1,737,612,158	1,821,777,954	1,887,769,667	1,957,288,809	2,035,863,087
1003	(l) Parks sales and use tax	35,939,862	37,391,971	38,608,924	39,628,892	41,334,134
1005	(k) Soil and water sales and use tax	35,947,537	37,394,824	38,608,927	39,632,549	41,334,138
1007	General revenue reimbursements - local sales and use tax	1,838,920	1,952,122	1,850,561	1,874,991	1,869,288
1009	Motor vehicle sales tax	210,455,391	215,078,975	210,749,553	73,944,788	63,299,893
1009	(dd) Motor vehicle sales tax - Amendment 3	-	-	-	106,679,065	166,565,679
1011	(u) Conservation sales and use tax	89,855,329	93,488,139	96,524,659	99,069,219	103,332,575
1013	(f) Proposition C sales and use tax	702,831,412	731,735,057	756,380,208	778,913,723	815,417,913
1015	Sales and use taxes paid under protest	304,292	6,034,772	925,453	154,942	133,448
1022	Individual income tax	4,392,707,326	4,579,484,729	4,866,347,540	5,360,652,738	5,736,714,734
1024	Individual income taxes paid under protest	42,353	55,591	121,038	27,095	78,291
1026	Corporate income tax	366,848,435	329,596,001	354,390,367	528,814,068	553,946,111
1028	Corporate income taxes paid under protest	1,451	-	-	27,012	2,311
1033	County foreign insurance tax	157,209,442	162,129,552	165,480,625	189,702,198	199,210,713
1037	Worker's compensation insurance tax	18,558,537	45,780,130	23,532,434	2,070,359	6,289,512
1039	Worker's compensation insurance tax - second injury	43,490,045	73,637,324	73,796,417	69,529,997	64,288,526
1041	Excess lines of insurance tax	19,545,210	23,300,865	24,929,980	22,028,985	25,158,519
1049	Heavy beer tax	8,162,402	8,287,133	8,127,177	8,368,270	8,380,561
1051	Light beer tax	52,013	43,970	44,632	41,247	31,303
1053	Liquor tax	14,914,429	15,792,060	16,159,921	16,848,358	18,421,990
1055	Wine tax	3,679,658	3,902,201	3,975,042	4,286,145	4,496,356
1057	Cigarette tax	97,945,955	98,815,335	99,247,687	99,873,124	96,959,034
1059	Tobacco product tax	10,204,096	10,837,459	11,035,093	11,448,194	11,917,483
1060	Motor vehicle fuel tax	394,517,707	407,048,241	415,205,844	415,115,603	412,792,165
1060	(g) Motor vehicle fuel tax	168,030,100	173,258,962	176,987,003	175,587,964	175,375,774
1060	(p) Motor vehicle fuel tax	149,130,374	153,771,103	157,079,820	-	-
1060	(dd) Motor vehicle fuel tax - Amendment 3	-	-	-	155,838,142	155,649,820
1062	Special fuel non-gas tax	2,431,054	1,829,636	2,118,492	1,240,891	1,312,257
1062	(dd) Special fuel non-gas tax - Amendment 3	-	-	-	106,978	92,863
1064	Aviation fuel tax	549,406	409,621	405,276	353,686	336,589
1070	Corporation franchise tax	70,265,700	91,387,675	119,446,502	77,827,368	77,788,371
1073	Estate tax	81,496,285	75,115,067	42,221,932	15,569,883	5,971,861
1074	(q) Bingo tax	3,209,784	2,909,716	2,703,789	2,472,633	2,282,012
1076	(r) Gaming commission gross receipts tax	234,237,771	251,587,273	270,532,391	286,934,255	286,393,286
1080	Real and personal property tax	18,888,626	19,450,597	19,737,535	22,825,969	23,605,723
1082	Delinquent real and personal property tax	2,601,540	3,312,254	3,499,542	2,281,634	2,791,494
1084	Hazardous waste fees	3,363,038	3,367,830	3,100,982	1,287,666	1,860,180
1085	Managed care organization reimbursement allowance	-	-	-	17,174,996	-
1086	Miscellaneous taxes paid under protest	-	-	-	-	9,537
1088	Nursing facility reimbursement allowance	9,314,474	9,833,951	13,116,650	11,810,655	12,161,891
1089	Pharmacy reimbursement allowance	15,320,294	17,131,990	18,995,336	15,079,728	8,915,898
1090	Federal reimbursement allowance	13,566,447	15,134,996	33,782,892	17,142,839	8,700,416
1093	Athletic events tax	57,801	95,742	180,817	86,504	174,484
1095	Surcharges	695,555	766,956	1,566,759	8,261,197	14,141,291
1097	Agency collected sales taxes	415,473	435,451	386,577	374,927	407,964
1099	Other taxes	64,944	90,237	109,316	88,684	76,928
1100	Professional licenses or permits	20,593,036	26,304,410	23,938,936	26,330,221	23,446,674
1102	Recreational licenses or permits	4,198,718	4,435,398	4,656,292	4,313,421	4,572,038
1104	All-terrain vehicle licenses or permits	852	118	362	1,029	2,044
1106	Motor vehicle licenses or permits	166,405,505	174,810,579	180,565,635	104,739,988	78,597,030
1106	(dd) Motor vehicle licenses or permits - Amendment 3	-	-	-	81,033,917	81,093,455

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1108	Interstate transportation licenses or permits	57,332,152	56,525,164	59,110,421	50,934,127	49,638,906
1108	(g) Interstate transportation licenses or permits	5,054,226	4,964,903	5,066,222	-	-
1108	(dd) Interstate transportation licenses or permits - Amendment 3	-	-	-	24,600,544	22,381,807
1110	Driver's licenses or permits	22,864,738	16,559,810	17,088,649	7,938,652	7,524,695
1110	(dd) Driver's licenses or permits - Amendment 3	-	-	-	9,609,103	9,467,142
1112	Land reclamation commission permits	469,778	536,854	535,465	567,114	541,457
1114	Salesman licenses or permits	3,209,485	225,190	252,940	254,160	247,560
1116	Vehicle and boat manufacturer and dealer licenses	923,960	973,838	976,181	992,413	980,078
1118	Liquor licenses or permits	3,799,292	3,877,954	3,986,540	4,118,092	4,180,895
1120	Gaming commission licenses	2,216,175	1,873,125	1,777,891	1,441,184	1,728,790
1122	Beer licenses or permits	11,038	8,849	7,472	6,861	18,545
1124	Motor carrier licenses	2,503,702	2,516,988	2,611,895	2,292,089	2,073,834
1126	Hunting and fishing licenses and commission permits	28,407,143	29,224,056	29,295,503	28,285,286	29,535,358
1127	Hunting and fishing special tags	1,321,864	1,126,188	1,134,412	1,186,138	1,161,514
1128	Hazardous waste transporter licenses	281,820	286,091	338,746	164,379	376,836
1130	Water pollution control permits	3,987,010	4,318,335	4,377,961	4,542,878	5,033,755
1132	Overdimension/overweight permits	4,454,546	4,913,789	5,286,025	2,568	3,892
1132	(dd) Overdimension/overweight permits - Amendment 3	-	-	-	5,615,174	6,620,053
1134	Merchant licenses	996,908	1,044,668	1,178,706	1,132,984	1,267,445
1136	Tobacco licenses	24,500	25,300	24,100	25,900	27,000
1138	Temporary licenses	675	742	755	307	125
1140	Duplicate plates	1,802	1,865	2,201	17,836	23,936
1149	Other licenses and permits	3,365,225	3,703,824	5,356,182	3,364,580	3,152,349
1149	(dd) Other licenses and permits - Amendment 3	-	-	-	1,578,504	1,753,449
1150	Lobbyist registration fees	2,130	1,340	1,970	2,961	13,510
1152	Motorboat fees	5,781,775	6,812,398	7,852,101	6,970,789	10,266,665
1154	Narcotics and dangerous drugs fees	1,024,210	805,479	620,506	999,794	778,581
1156	Occupational boards exam fees - individual exam fees	711,368	879,392	969,081	594,716	616,843
1160	Non-motor fuel decal fees	135,790	115,455	100,966	-	-
1160	(dd) Non-motor fuel decal fees - Amendment 3	-	-	-	110,608	83,977
1162	Filing fees	14,289,774	20,980,420	19,927,361	19,517,988	19,269,826
1163	Certifying/Authenticating Fees	-	726,665	192,184	64,251	49,425
1164	Transfer fees	24,328	21,547	27,014	30,365	27,690
1165	Service contract registration fee	-	-	-	-	62,500
1169	Other registration fees	12,464,041	7,213,300	7,542,362	7,343,546	7,832,821
1174	Asbestos fees	251,871	247,992	276,147	286,911	238,255
1178	Milk control fees	52,507	100,087	64,066	63,193	43,058
1180	Home health care license fees	120,000	121,350	117,750	112,800	129,100
1182	Nursing home license fees	146,683	135,174	132,404	164,447	128,726
1184	Title V emissions fees	7,926,714	8,663,826	8,250,446	8,531,692	8,638,247
1185	Emission fees/non Title V facilities	368,441	368,492	344,704	382,437	356,012
1186	Boarding home license fees	725,487	712,583	724,251	718,914	715,186
1188	Public utilities fees	19,702,341	19,990,103	19,261,361	18,355,749	20,190,954
1190	Hospital license fees	94,152	86,032	83,647	85,704	85,398
1192	Grain warehouse license fees	33,687	33,964	34,161	32,246	34,159
1194	Missouri primacy fees	2,666,930	2,639,033	2,794,025	2,560,720	3,558,666
1196	Underground storage tank annual participation fees	1,234,514	597,671	-	-	-
1198	Transport load fees	22,803,622	23,904,017	23,665,383	23,389,711	23,634,784
1200	Storage tank registration fees	46,205	215,545	224,440	259,296	70,850

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1202	Tourist cabin permit fees	190,954	195,510	46,881	186,847	183,255
1206	Solid waste disposal fees	10,998,242	11,012,418	11,473,573	11,855,266	12,735,973
1208	New tire fees	2,241,714	1,623,688	27,332	953,815	2,104,673
1209	Battery Fee	-	-	-	288,524	722,637
1210	Ground water protection fees	444,101	543,966	623,233	666,068	618,151
1214	Insurance regulatory fees, renewals and purchasing groups	1,829,238	1,787,206	1,718,125	2,451,504	1,425,228
1216	Air conservation commission permit fees	463,279	472,619	449,690	349,094	299,163
1218	Bingo license fees	69,820	62,277	67,275	52,570	49,030
1220	Lab fees	1,800,967	2,461,317	2,424,212	4,432,911	4,639,903
1222	Program administration fees	768,707	726,810	713,491	731,723	785,700
1223	Confined animal feed operation indemnity fees	33,486	64,619	37,731	41,953	29,517
1224	Railroad assessments	539,513	654,101	971,729	499,106	863,313
1227	Enhanced vehicle emission inspection fees	1,707,770	1,706,183	1,738,699	1,685,333	1,688,837
1229	Beverage inspection fees	55,556	-	-	-	-
1233	Grain warehouse inspection fees	1,616,019	1,573,755	1,741,117	1,529,055	1,508,603
1235	Milk inspection fees	1,366,630	1,383,077	1,379,483	1,196,302	1,073,188
1237	Ice cream products inspection fees	39,460	27,280	31,700	31,360	33,060
1239	Mine inspection fees	74,486	75,953	66,982	88,502	72,498
1241	Mobile home and recreational vehicle inspection fees	428,085	654,744	745,037	823,258	848,302
1243	Oil inspection fees	2,164,079	2,567,947	2,557,810	2,543,426	2,527,235
1249	Other inspection fees	1,197,621	1,302,603	1,370,310	1,503,392	1,436,877
1250	Collection fees	17,941,164	18,813,734	19,775,880	21,095,935	22,675,134
1250	(c) Collection fees - Fund 880	7,149	-	-	-	-
1252	Admission fees	1,191,555	1,292,168	1,341,952	1,108,448	1,326,303
1252	(r) Admission fees - Riverboat gambling	51,061,261	52,561,952	54,146,991	54,679,803	50,902,479
1254	State auditor fees	991,184	840,199	1,071,601	1,231,909	1,013,252
1260	Grade crossing safety fees	1,204,109	1,215,990	1,250,036	1,491,051	1,548,723
1262	Loan administration fees	2,624,013	3,145,252	3,810,458	4,274,803	5,163,127
1262	(c) Loan administration fees - Fund 881	-	-	-	1,895	5,537,769
1264	Court fees	17,478,866	20,538,094	21,604,235	22,925,711	23,032,841
1266	Financial institutions examination fees	6,476,118	6,990,259	7,209,189	7,924,104	7,911,716
1268	Consumer finance license fees	793,125	875,325	986,550	1,005,300	1,053,225
1270	Transcript fees	170,160	147,137	139,175	143,371	123,751
1272	Land Survey Fees	-	-	(1,300)	-	-
1274	Marketing development fees	185,869	181,565	212,008	309,413	46,619
1276	Miscellaneous insurance fees	647,075	669,215	601,590	514,125	500,230
1278	Gaming commission administrative income	3,762	3,648	1,011	933	195
1279	(a) Lottery commission fees	338,073	290,689	387,762	337,854	320,659
1280	Motor vehicle inspection sticker fees	4,412,638	4,457,993	4,533,806	4,466,495	4,569,287
1282	Logo sign advertising fees	3,545,681	3,805,960	4,161,752	4,608,913	5,287,240
1284	Public defender fees	1,142,491	1,456,724	1,455,500	1,771,541	1,732,334
1286	Witness fees	4,304	8,060	6,961	6,162	12,598
1286	(a) Witness fees - Fund 657	40	-	-	-	-
1288	County recorders fees	11,423,587	11,038,590	9,404,215	9,501,397	8,941,272
1290	Training or conference fees	40,290	40,537	45,410	96,483	150,108
1294	Electronic monitoring fee	1,493,475	1,634,176	1,640,776	1,626,475	1,299,497
1298	Substance abuse offender program fees	1,924,812	3,642,414	3,872,787	3,946,177	3,966,623
1302	Criminal records check fees	4,344,223	4,116,455	5,669,234	6,733,119	6,958,215
1303	Other fees	5,720,090	6,526,807	7,025,043	11,724,083	23,408,294
1305	(h) Bond sales proceeds	398,337,310	262,829,539	3	370,196,052	829,993,881
1310	Land sales	2,027,355	4,755,543	5,512,710	5,001,965	3,836,054
1312	Sales of natural resources products	2,698,580	2,878,772	3,524,846	3,836,475	4,418,501



Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1314	Sales of agriculture products	1,416,064	1,667,391	1,750,295	1,852,115	1,711,914
1316	Manufactured product sales	5,404,285	8,276,056	7,799,864	7,892,157	8,333,588
1318	Information sales	3,361,956	3,343,120	3,237,949	3,283,582	3,273,720
1320	Souvenir sales	620,334	617,851	626,113	595,639	566,016
1322	Surplus property sales - State	1,650,166	2,345,583	1,626,659	1,522,369	3,030,067
1322 (a)	Surplus property sales - state - Fund 657	-	-	-	10,000	-
1322 (aa)	Surplus property sales - state - Fund 710	787,350	1,088,245	1,374,300	746,426	1,038,204
1324	Surplus property sales - Federal	2,318,658	2,037,258	2,281,737	2,903,435	2,761,749
1326	Unclaimed Property Sales	3,796	350	-	-	-
1328	Sales of fixed assets - control	7,368,247	6,405,790	6,740,642	9,052,606	27,501,823
1330	Vital records sales	1,244,136	1,200,507	1,436,055	1,867,182	1,714,728
1332 (a)	Lottery ticket sales	310,793,243	366,115,206	345,575,845	416,691,040	405,909,024
1334	Cafeteria sales	680,970	720,508	613,530	654,178	678,666
1338	Other sales	460,178	618,051	238,143	223,093	161,139
1338 (a)	Other sales - Fund 657	-	-	643	-	-
1340	Gain on sale of fixed assets	15,411	-	-	-	-
1342	Supply sales	797	637	618	342	-
1401	Land rentals/leases	1,066	1,066	1,066	56,052	802
1403	State facilities rentals/leases	786,443	915,819	703,612	762,715	764,022
1404	Parking rentals/leases	80,831	75,793	68,872	72,349	67,046
1405	Concessions and recreational rentals/leases	2,286,164	2,093,605	2,310,330	2,292,138	2,265,352
1407	Housing/building rentals/leases	327,344	271,249	255,272	267,281	483,807
1409	Other leases and rentals	1,285,740	1,161,489	842,244	820,430	1,155,026
1414 (e)	Medicare	10,023,586	7,891,969	13,104,191	11,840,541	14,355,763
1418 (e)	Medicaid	113,715,423	116,247,130	113,767,474	104,129,943	94,774,725
1420 (e)	Medicaid - community based	55,460,400	29,086,883	46,154,590	114,403,516	116,805,982
1422	Private Payments	8,012,154	7,643,629	7,484,711	7,172,906	6,705,792
1424	Insurance payments	2,832,410	2,483,663	2,183,788	2,627,062	2,053,140
1426	Other payments	225,715	164,919	82,499	223,016	6,913
1434	Institutional support fees	55,357	171,780	29,525	73,761	98,527
1436	Room and care	18,807,181	20,559,387	23,390,722	25,408,983	26,844,689
1438	Fleet services operations/maintenance	-	-	-	395	-
1442	Mail/freight services	1,170	2,555	1,686	1,798	581
1444	Telephone billing	-	698	-	-	-
1446	Printing service	81,288	99,901	112,719	156,303	166,681
1448	Computer services	1,850	1,673	3,699	4,279	3,897
1450	Administration services	-	3,025	-	-	45
1452	Flight Operations Services	29,352	-	-	-	-
1501	Private donations	4,233,004	3,494,597	3,038,212	2,132,328	2,944,164
1502	Other governmental entity donations	-	29,000	6,458	35,470	-
1507 (e)	NASAO (airport inspections)	-	-	-	5,500	16,500
1510 (e)	US Department of Agriculture	298,793,799	315,309,213	324,208,864	341,963,232	349,407,388
1512 (e)	US Department of Defense	2,347,401	2,556,350	3,139,604	4,780,027	3,893,101
1513 (e)	US Department of Homeland Security	-	-	-	-	1,252,634
1514 (e)	US Department of Housing and Urban Development	36,536,630	39,383,092	38,264,807	34,944,621	34,535,980
1516 (e)	US Department of Interior	15,353,170	18,635,222	20,010,553	26,236,848	27,365,634
1518 (e)	US Department of Justice	7,866,985	23,534,299	45,439,686	67,710,357	70,533,811
1520 (e)	US Department of Labor	71,641,936	73,958,806	75,173,714	80,155,791	74,373,262
1522 (e)	US Department of Education	521,034,164	567,929,279	607,650,375	655,561,523	638,057,083
1522 (c)	US Department of Education - Fund 880	6,100,044	7,008,260	6,777,654	7,753,744	7,878,432
1522 (c)	US Department of Education - Fund 881	22,923,277	21,146,522	42,401,412	54,653,829	54,336,871
1524 (e)	US Department of Transportation	785,228,408	727,496,377	832,914,720	827,044,903	894,887,794
1526 (e)	National Foundation for the Arts and Humanities	4,148,758	3,693,442	3,118,665	3,928,489	4,255,569

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1528	(e) US Veterans Administration	43,965,656	28,976,671	26,333,616	28,181,524	30,818,955
1529	(e) US General Services Administration	-	-	6,577	7,113	-
1530	(e) US Environmental Protection Agency	99,863,990	92,846,554	65,371,097	67,603,444	83,034,587
1532	(e) US Department Of Energy	6,786,185	6,657,746	7,971,473	7,526,734	5,956,480
1534	(e) Federal Emergency Management Agency	62,257,331	30,750,178	15,694,217	8,273,328	56,826,554
1536	(e) US Department of Health and Human	4,274,976,158	4,400,831,476	4,940,907,333	4,905,437,144	4,852,243,251
1538	(e) National and Community Services	-	8,722	3,607	1,115	-
1540	(e) US Social Security Administration	35,035,237	35,120,494	32,955,548	32,848,371	29,882,066
1542	(e) National Archives and Records	105,355	2,000	104,549	-	-
1544	(e) Elections Assistance Commission	17,348,011	44,914,650	-	-	-
1546	(e) US Department of Treasury	95,136,209	95,183,169	-	-	7,217
1549	(e) Miscellaneous federal revenues	70,907,767	170,523,112	32,039,098	37,287,497	36,183,522
1551	County mental health programs	8,396,216	7,915,368	8,823,579	9,989,505	13,875,319
1560	(e) Federal pass-through grants	37,229,036	32,910,930	38,100,579	47,538,058	34,258,934
1601	Time deposits interest	7,168,428	3,746,600	5,893,485	12,895,202	23,996,538
1601	(f) Time deposits interest - Fund 688	174,813	97,299	157,407	411,767	612,653
1601	(a) Time deposits interest - Fund 657	48,965	23,981	36,639	159,048	242,536
1601	(k) Time deposits interest - Fund 614	76,599	41,312	71,316	186,636	292,342
1601	(l) Time deposits interest - Fund 613	38,686	17,757	21,759	47,803	75,523
1601	(b) Time deposits interest - Fund 905	10,321	5,937	10,028	26,020	42,128
1601	(q) Time deposits interest - Fund 289	20,226	9,344	12,525	20,526	18,977
1601	(r) Time deposits interest - Fund 285	38,369	19,958	34,523	92,255	136,919
1601	(d) Time deposits interest - Fund 963	63	37	73	203	328
1601	(u) Time deposits interest - Fund 609	64,936	39,631	64,275	146,264	173,506
1601	(c) Time deposits interest - Fund 851	52,142	3,157	2,333	692	4
1601	(c) Time deposits interest - Fund 880	28,579	23,770	50,877	125,596	136,386
1601	(c) Time deposits interest - Fund 881	79,161	39,279	42,233	94,280	256,202
1603	U.S./agency securities interest	54,142,188	43,022,691	49,506,581	92,567,456	136,046,244
1603	(f) U.S./agency securities interest - Fund 688	1,105,802	816,747	1,041,365	1,873,702	2,360,935
1603	(a) U.S./agency securities interest - Fund 657	296,293	200,741	236,997	683,862	790,655
1603	(k) U.S./agency securities interest - Fund 614	469,100	340,616	453,657	794,963	978,599
1603	(l) U.S./agency securities interest - Fund 613	236,966	147,844	142,987	210,279	270,821
1603	(b) U.S./agency securities interest - Fund 905	63,683	48,999	64,582	109,873	138,138
1603	(q) U.S./agency securities interest - Fund 289	122,984	77,495	81,826	85,557	61,420
1603	(r) U.S./agency securities interest - Fund 285	229,696	166,287	223,260	416,621	491,769
1603	(d) U.S./agency securities interest - Fund 963	1,697	1,615	1,433	1,827	2,271
1603	(u) U.S./agency securities interest - Fund 609	404,320	325,892	412,250	625,465	599,606
1603	(c) U.S./agency securities interest - Fund 851	277,254	26,518	15,656	2,480	13
1603	(c) U.S./agency securities interest - Fund 880	179,544	193,633	324,274	525,676	444,875
1603	(c) U.S./agency securities interest - Fund 881	480,589	326,989	277,329	399,813	838,339
1605	Other investment interest	1,051,329	525,665	400,000	610,000	669,229
1610	Interest on loans	834,899	1,068,022	951,381	1,020,355	1,343,034
1612	Interest - Federal	-	643	13,523,913	16,232,810	11,749,631
1614	Interest on receivables	58,011	56,302	201,562	33,040	59,153
1616	Interest on settlements	122,645	47,983	94,709	57,276	65,220
1618	Other interest	1,307,512	1,071,386	29,162	58,582	53,160
1618	(c) Other interest - Fund 880	11,202	-	-	122,516	96,985
1621	Penalties	17,737,789	17,547,145	19,400,092	14,246,673	9,424,865
1621	(q) Penalties - Fund 289	-	-	15	-	-
1621	(c) Penalties - Fund 881	-	-	-	-	826
1624	Settlements	858,540	1,993,625	4,736,944	7,970,583	2,301,820
1626	Court awards	1,346,078	2,039,930	1,681,369	1,732,607	1,704,591
1628	Insufficient funds charges	5,168	10,609	7,703	7,186	4,936
1628	(a) Insufficient funds charges - Fund 657	20	-	-	-	-

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1634	Estates	329,323	1,028	449	66	153
1636	Unclaimed properties	38,583,756	76,804,125	53,672,476	92,367,911	91,118,828
1700	(i) Salary refunds - federal	607,207	464,856	695,196	614,734	758,548
1701	(i) Salary refunds - state	48,677	79,988	40,575	48,639	35,771
1702	(i) Salary refunds - local/other	28,205	23,047	28,205	17,929	20,238
1703	(i) General relief pension refunds	4,021,572	2,830,777	1,186,474	121,698	70,586
1704	(i) Blind pension refunds	11,659	73,105	2,788	5,886	11,895
1706	(i) Dependent children pension refunds	426,750	376,190	367,373	356,838	356,687
1715	(i) Day care refunds	119,927	61,322	72,401	58,904	183,536
1717	(i) Medicare - Medicaid refunds	212,955,744	250,677,523	331,852,999	413,909,726	226,517,358
1719	(i) Cost in criminal cases refunds	270,948	342,290	447,889	565,968	693,320
1721	(i) Vendor refunds - federal	1,473,246	1,043,953	1,313,190	1,008,453	1,213,162
1722	(i) Vendor refunds - state	1,288,711	1,003,623	747,697	603,961	517,589
1722	(a) Vendor refunds - state - Fund 657	1,870	6,130	6,045	24,422	3,189
1722	(c) Vendor refunds - state - Fund 880	-	-	1,857	753	2,672
1722	(c) Vendor refunds - state - Fund 881	-	-	100	9,000	-
1723	(i) Vendor refunds - local/other	235,601	387,345	290,456	294,599	276,869
1723	(c) Vendor refunds - local/other - Fund 880	-	-	1,151	-	-
1724	(i) Political subdivision refunds	-	359,837	9,919	18,180	20,255
1725	(i) Excess court payment refunds	1,717,352	1,573,649	1,499,024	795,229	1,900,561
1727	(i) School refunds	5,587,349	6,048,847	5,689,555	5,314,240	4,691,784
1728	(i) Scholarship refunds	143,902	252,530	314,355	349,559	355,827
1728	(c) Scholarship refunds - Fund 881	-	216	-	-	-
1729	(i) Audit findings - federal	223,038	144,227	194,239	120,584	35,091
1730	(i) Audit findings - state	56,428	198,436	50,321	-	-
1731	(i) Audit findings - local/other	6,093	21,462	38,282	52,665	175,203
1732	(i) Utility refunds	7,166	12,383	9,131	13,651	18,141
1733	(i) Fuel tax refunds	251,078	325,004	300,863	227,324	150,385
1733	(a) Fuel tax refunds - Fund 657	-	-	-	277	-
1733	(c) Fuel tax refunds - Fund 880	-	-	3	24	-
1737	(i) Other refunds	2,987,825	4,013,975	2,585,121	3,630,689	4,433,171
1737	(a) Other refunds - Fund 657	-	-	-	-	47,344
1737	(c) Other refunds - Fund 880	5,321	322	-	-	25,211
1737	(c) Other refunds - Fund 881	8,761,805	8,675	-	25,710	29
1806	(w) Recovery costs	181,232,299	163,653,275	158,226,200	147,510,945	156,840,026
1806	(a) Recovery costs - Fund 657	5,504	667	-	-	-
1806	(bb) Intergovernmental transfer program	144,251,000	30,326,961	26,875,705	-	-
1808	Deposit of surplus property funds	588,116	910,773	2,040	20,640	-
1808	(a) Deposit of surplus property - Fund 657	51,091	20,467	-	-	-
1808	(c) Deposit of surplus property - Fund 626	95	-	-	-	-
1808	(c) Deposit of surplus property - Fund 880	-	397	-	-	-
1808	(c) Deposit of surplus property - Fund 881	-	4,350	-	-	-
1811	(z) Local match	925,923	2,147,704	3,942,050	4,235,868	3,010,486
1812	(x) Cost reimbursements - federal	1,258,193	281,369	481,878	854,596	859,539
1812	(c) Cost reimbursements - Fund 880	-	-	2,146	-	-
1813	(x) Cost reimbursements - state	35,642,920	24,503,507	20,069,835	17,379,683	32,758,124
1813	Cost reimbursements - state (included)	6,638,598	7,038,004	8,011,183	9,299,758	10,036,608
1813	(c) Cost reimbursements - Fund 880	-	-	213	247	-
1814	(x) Cost reimbursements - local/other	122,389,750	131,365,650	114,342,412	127,523,055	128,148,184
1814	(c) Cost reimbursements - local/other - Fund 880	991	-	-	6	-
1816	Bond account	5,740,905	6,676,769	7,278,870	6,375,510	6,305,705
1818	(v) Employee expense reimbursement - federal	100	112	1,756	-	405
1819	(v) Employee expense reimbursement - state	2,380	2,816	1,447	615	26,116

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1820	(v) Employee expense reimbursement - local/other	4	-	969	771	583
1821	(v) Employee personal expense reimbursement	17,634	20,740	33,588	37,578	35,838
1821	(c) Employee personal expense reimbursement - Fund 880	34	-	137	88	10
1822	(n) Outlawed checks	5,369,639	9,391,724	7,329,715	6,015,970	7,228,137
1822	(b) Outlawed checks - Fund 905	3,598	17,439	2,620	3,850	6,102
1822	(c) Outlawed checks - Fund 881	-	3,184	-	-	-
1824	(y) Canceled checks	5,509,977	4,151,727	5,801,505	4,218,841	4,042,092
1824	(a) Canceled checks - Fund 657	-	38	19,368	32,995	-
1824	(b) Canceled checks - Fund 905	1,030	173	2,880	-	4
1824	(c) Canceled checks - Fund 880	-	-	-	-	109
1826	(m) Redeposit of investments principal	751,921	1,850,020	1,267,000	2,820,075	1,167,300
1826	(d) Redeposit of investments principal - Fund 963	-	-	5,000	-	-
1828	(o) Redeposit of loan principal	29,525,552	96,777,971	48,774,710	32,786,258	40,736,073
1830	Telephone commissions	1,939,388	2,951,377	2,220,545	2,191,590	1,004,266
1832	Commission on sales	51,746	36,385	42,918	33,051	25,670
1834	Rebates	1,593,777	3,248,923	3,186,878	2,657,841	346,877
1834	(a) Rebates - Fund 657	16	46	169	381	563
1834	(c) Rebates - Fund 880	-	-	3	26	2,224
1834	(cc) Rebates - WIC	28,832,678	32,459,831	33,432,384	36,203,754	38,046,323
1836	Housing and maintenance receipts	40,315	44,144	61,888	61,026	70,788
1838	Loan defaults	267,384	222,620	374,067	280,132	638,617
1840	(t) Loan proceeds	24,244,308	10,268,507	8,688,830	1,787,376	7,861,815
1842	(o) Loan repayment	82,059	83,583	92,404	94,639	103,409
1842	(c) Loan repayment - Fund 880	-	801	-	-	-
1842	(c) Loan repayment - Fund 881	22,586,729	29,430,674	22,088,262	28,090,069	49,202,530
1843	(o) Loans receivable contra account	6,589,491	5,367,701	18,300,256	12,156,376	3,227,912
1844	Insurance proceeds	42,945	3,148	5,295	7,089	2,448
1846	Capital credits/dividends	59,896	44,721	55,706	47,137	53,045
1848	Recycling receipts	43,785	76,608	130,338	135,281	181,661
1850	Forfeitures	2,201,018	2,437,245	2,071,385	1,989,974	1,960,425
1852	Overpayments	6,287,933	4,345,745	1,771,438	2,337,400	6,004,394
1852	(c) Overpayments - Fund 880	3,889	-	-	-	-
1856	(e) Other miscellaneous receipts - federal	4,093,602	2,774,771	6,886,042	5,063,853	4,861,403
1858	Other miscellaneous receipts - state	2,764,572	12,010,358	1,991,881	2,922,024	4,141,635
1858	(a) Other miscellaneous receipts - state - Fund 657	3,280	7,403	4,461	8,565	6,496
1858	(b) Other miscellaneous receipts - state - Fund 905	11,188,245	10,964,014	10,260,864	10,698,732	11,005,829
1860	Other miscellaneous receipts - local/other	1,271,171	1,749,384	1,793,312	2,030,010	635,352
1860	(a) Other miscellaneous receipts - local/other - Fund 657	2,837,258	-	74,350	55	1,024,385
1860	(c) Other miscellaneous receipts - local/other - Fund 880	-	30	-	-	-
1862	Fees for copying public records	181,177	515,415	496,751	416,138	394,686
1862	(a) Fees for copying public records - Fund 657	257	173	473	85	124
1866	Federal share of grantee sales	238,952	232,667	100,649	326,931	371,362
1868	Receivable overpayment - federal	31	130	356	-	-
1870	Receivable overpayment - state	42,606	3,159	6,506	673	4,384
1872	Receivable overpayment - local	33	127	169	-	27

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
6001	(j) Supply sales	-	-	18	24,426	231
6002	(j) Open records fees	6,492	9,389	9,221	17,818	8,983
6003	(j) Fleet services operations/maintenance	933,189	998,046	991,562	1,115,253	1,417,108
6005	(j) Fleet services replacement	541,945	2,171,486	699,191	942,733	1,795,574
6006	(j) Criminal records check fees	-	1,035,216	2,081,767	1,955,861	416,590
6007	(j) Mail/freight services	600,956	567,986	613,666	479,607	1,103,960
6009	(j) Telephone billing	33,408,199	32,136,693	30,453,762	28,357,604	27,984,063
6011	(j) Printing service	5,829,079	5,954,992	5,994,738	5,818,290	6,772,408
6013	(j) Reimbursement/recovery cost	13,965,380	22,719,299	23,900,839	27,763,425	46,816,635
6013	(c) Reimbursement/recovery cost - Fund 881	-	-	-	87,391	-
6015	(j) Leased facility	3,563,491	3,453,059	3,681,193	3,581,126	24,524,831
6017	(j) Sale of material, supplies, and services	1,024,985	1,136,437	991,081	960,872	1,562,826
6019	(j) Training	957,246	1,129,212	1,104,409	1,101,498	929,024
6021	(j) Computer services	26,125,428	23,342,866	24,494,010	23,672,220	21,535,182
6023	(j) Administration services	1,311,389	1,069,786	1,414,446	1,208,365	703,313
6025	(j) Flight operations services	373,308	463,883	397,374	303,007	246,618
6027	(j) Sale of manufactured products	25,388,280	22,003,644	21,069,582	20,575,593	20,523,336
6029	(j) Interagency receipts	20,853,813	17,651,535	19,048,175	20,626,666	20,866,582
6029	(c) Interagency receipts - Fund 851	-	457	-	-	-
6029	(c) Interagency receipts - Fund 880	950,619	1,096,663	1,058,766	-	-
6029	(c) Interagency receipts - Fund 881	258,321	105,950	531,142	329,256	390,026
6030	(j) Sampling &/or Analysis	-	24,130	34,774	21,999	60,421
6031	(s) Redeposit of state funds	49,253	3,241	31,440	30,969	81,964
6032	(j) Deposit of unclaimed property	3,722	312	-	250	99
6033	(j) Permits	72,596	52,670	58,025	50,518	50,279
6034	(j) Registration fees	24,885	23,784	36,100	59,786	95,400
6035	(j) Taxes	173,958	2,283,087	1,541,530	1,360,109	939,124
6036	(j) Transcript fees	-	3,937	6,848	5,205	4,807
	Total revenues	18,347,052,703	18,893,988,141	19,500,869,283	20,919,973,902	21,928,919,952
Fund Exclusions:						
(a)	Lottery Enterprise - Fund 657	314,375,910	366,665,541	346,342,752	417,948,583	408,344,975
(b)	Alternative Care Trust Fund - Fund 905	11,266,877	11,036,562	10,340,974	10,838,475	11,192,201
(c)	Student Loan Funds 626, 851, 880, and 881	62,706,745	59,419,847	73,575,547	92,223,091	119,149,513
(d)	Pansy-Johnson-Travis Memorial State Gardens Trust - Fund 963	1,760	1,652	6,507	2,030	2,599
Revenue Source Exclusions:						
(e)	Federal funds	6,669,855,197	6,867,222,534	7,289,320,981	7,412,473,472	7,458,588,194
(f)	Proposition C sales and use tax/interest	704,112,027	732,649,103	757,578,980	781,199,192	818,391,501
(g)	Proposition A gas tax and license fee increases	173,084,326	178,223,865	182,053,225	175,587,964	175,375,774
(h)	Bond sales	398,337,310	262,829,539	3	370,196,052	829,993,881
(i)	Refunds	232,468,478	270,314,372	347,736,051	428,129,456	242,435,981
(j)	Interagency sales and receipts	135,158,341	138,231,448	138,622,309	140,002,232	178,357,392
(k)	Soil and water sales and use tax/interest	36,493,236	37,776,751	39,133,900	40,614,148	42,605,079
(l)	Parks sales and use tax/interest	36,215,514	37,557,571	38,773,670	39,886,973	41,680,478
(m)	Redeposit of investment principal	751,921	1,850,020	1,267,000	2,820,075	1,167,300
(n)	Outlawed checks	5,369,639	9,391,724	7,329,715	6,015,970	7,228,137
(o)	Redeposit of loan principal	36,197,102	102,229,254	67,167,370	45,037,273	44,067,394
(p)	Amendment 8 motor fuel tax to local governments	149,130,374	153,771,103	157,079,820	-	-

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
(q)	Bingo	3,352,994	2,996,554	2,798,154	2,578,717	2,362,408
(r)	Riverboat gambling	285,567,097	304,335,470	324,937,164	342,122,934	337,924,453
(s)	Redeposit of state funds	49,253	3,241	31,440	30,969	81,964
(t)	Loan proceeds	24,244,308	10,268,507	8,688,830	1,787,376	7,861,815
(u)	Conservation sales and use tax/interest	90,324,585	93,853,662	97,001,184	99,840,948	104,105,688
(v)	State employee expense account reimbursement	20,118	23,669	37,760	38,964	62,942
(w)	Recovery costs	181,232,299	163,653,275	158,226,200	147,510,945	156,840,026
(x)	Cost reimbursements	159,290,863	156,150,526	134,894,125	145,757,334	161,765,847
(y)	Canceled checks	5,509,977	4,151,727	5,801,505	4,218,841	4,042,092
(z)	Local match	925,923	2,147,704	3,942,050	4,235,868	3,010,486
(aa)	Proceeds of surplus property sales (Fund 710)	787,350	1,088,245	1,374,300	746,426	1,038,204
(bb)	Intergovernmental transfer program	144,251,000	30,326,961	26,875,705	-	-
(cc)	Department of Health WIC Rebates	28,832,678	32,459,831	33,432,384	36,203,754	38,046,323
(dd)	Constitutional amendment No.3	-	-	-	385,172,035	443,708,243
	CMIA Interest payment to the federal government	881,304	726,910	420,661	1,223,951	2,330,281
	Agency remitted sales tax	448,461	456,704	416,977	425,485	435,720
	Abandoned funds claim payments	13,011,897	18,739,655	19,432,004	19,462,594	21,635,424
	Federal Interest	-	643	13,523,913	16,232,810	11,749,631
	Coding Errors	-	97	-	-	1,399
	Total exclusions	9,904,254,864	10,050,554,267	10,288,163,160	11,170,564,938	11,675,583,344
	Total revenues after exclusions	8,442,797,839	8,843,433,874	9,212,706,123	9,749,408,963	10,253,336,607
	Less expenditure refunds (Exhibit C)	(1,252,342,575)	(1,126,226,599)	(1,127,328,402)	(1,185,513,592)	(1,272,907,957)
	Add refundable tax credits:					
	Pharmaceutical	3,764,259	524,527	142,373	1,672	-
	Business facility	2,881,728	23,992	-	6,026,392	19,478
	Enterprise zone	204,766	123,464	347,009	14,969,750	52,168
	BUILD	1,222,799	2,336,876	4,301,069	10,204,348	5,011,569
	Strategic initiative investment income	2,000,000	1,065,718	-	-	-
	Higher Education Scholarship Fund	4,532	-	-	-	-
	Total State Revenue	\$ 7,200,533,348	7,721,281,852	8,090,168,172	8,595,097,533	8,985,511,865

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF EXPENDITURE REFUNDS

Object Code	Description	Year Ended June 30,				
		2003	2004	2005	2006	2007
	SAM II Expenditure Refunds:					
3200	Bond refunds	\$ 2,134,818	2,290,607	3,214,409	3,174,790	3,607,162
3206	Deposit and escrow refunds	30,245	127,838	98,848	82,239	100,990
3212	Federal Share Grantee Salary refunds	-	-	836	-	-
3213	Tax credit debt offset	-	-	-	192,267	658,452
3215	Debt offset refunds	9,013,469	6,582,994	6,269,213	7,196,032	9,154,126
3218	Motor vehicle license fee refunds	822,388	1,137,842	1,401,820	1,528,907	1,551,837
3221	Driver's license fee refunds	81,611	77,982	78,359	76,197	89,678
3227	License and permit fee refunds	133,055	84,732	160,866	187,184	144,244
3230	Registration fee refunds	32,881	7,622	16,984	13,786	21,762
3233	Regulatory fee refunds	58,540	45,944	237,543	16,421	13,154
3236	Inspection fee refunds	41,255	40,532	40,125	46,058	41,017
3239	Miscellaneous fee refunds	227,735	294,700	594,262	386,883	401,386
3242	Sales refunds	23,452	27,829	9,887	36,158	11,076
3245	Lease and rentals refunds	831	1,858	2,847	5,226	5,490
3248	Medical services refunds	1,754,840	1,876,972	2,571,969	2,855,085	4,982,151
3251	Contributions refunds	-	-	104,883	50	-
3254	Federal refunds	108,307	529,557	1,101,919	1,600,014	112,019
3257	Penalty and court award refunds	11,281	38,456	168,547	26,054	15,971
3260	Interagency billing refunds	-	150	-	-	3,294
3261	Receivable overpayment refunds	23,058	141,205	10,962	46,188	31,237
3266	Missouri consolidated check off refunds	134,732	124,184	165,968	200,356	(48)
3267	Deferred revenue refunds	3,191,677	1,753,349	1,092,357	3,463,708	1,468,220
3269	Other refunds	43,296,930	1,778,662	1,708,679	903,385	5,658,768
3272	Sales and use tax protested refunds	114,220	391,490	37,141	156,832	5,255,333
3281	County foreign insurance tax refunds	38,961,200	24,125,058	15,863,307	14,468,499	21,577,679
3287	Worker's compensation insurance tax refunds	339,757	1,685,755	392,963	150,375	78,341
3290	Worker's compensation second injury insurance tax refunds	505,253	9,944	9,732	-	-
3293	Cigarette tax refunds	39,043	141,494	83,251	44,675	31,563
3296	Tobacco products tax refunds	1,031	9,302	100	3,819	631
3299	Aviation fuel tax refunds	57,536	52,827	68,327	25,172	25,589
3305	Special fuel (non-gas) tax refunds	24,444,448	25,536,357	30,388,502	29,996,843	32,290,045
3308	Fuel tax refunds	9,620,045	9,611,080	9,765,264	9,522,282	8,885,478
3311	Sales Tax refunds	164	5	44	48	1
3314	Food tax exemption refund	-	85,626	-	-	-
3317	General sales and use tax refunds	61,234,948	59,927,094	44,966,016	31,494,255	88,368,480
3326	Motor vehicle sales tax refunds	4,519,185	4,721,452	4,291,710	4,179,140	3,981,005
3329	Motor vehicle use tax refunds	868,913	961,458	1,002,748	983,801	1,164,938
3335	Boat tax refunds	5,436	6,645	7,257	6,720	9,587
3338	Individual tax refunds	771,972,675	763,201,964	752,279,117	773,108,237	808,846,331
3341	Senior citizens tax refunds	97,180,379	95,237,087	99,101,427	96,090,703	93,118,292
3342	Pharmaceutical tax refunds	3,737,102	524,527	496,516	1,672	-
3344	Corporation tax refunds	171,098,592	116,499,019	144,879,893	195,549,284	172,190,828
3347	Franchise tax refunds	3,467,003	460,301	691,213	6,435,586	1,188,431
3350	Inheritance tax refunds	3,054,540	5,458,449	2,816,253	930,022	7,429,565
3356	Other tax refunds	-	616,650	1,136,338	328,639	393,855
	Total SAM II Expenditure Refunds	\$ 1,252,342,575	1,126,226,599	1,127,328,402	1,185,513,592	1,272,907,957

## BACKGROUND, METHODOLOGY, AND CONCLUSIONS



REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
BACKGROUND, METHODOLOGY, AND CONCLUSIONS

The following identifies the various components of the amendment and the application of the amendment to state revenues.

**Formula**

Article X, Section 18(a) of the Constitution of Missouri establishes the revenue limit formula as follows:

Revenue limit for FY 20XX	= $\frac{\text{TSR in FY 1981}}{\text{CY 1979 Missouri personalincome (MPI)}}$ x	The greater of Missouri Personal Income (MPI) in the calendar year (CY) prior to the CY in which appropriations are made for FY 20XX or Average MPI for three CYs preceding FY 20XX.
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The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U.S. Department of Commerce (DOC).

The OA-BP does not adjust the BYR for changes already made or for future changes or adjustments to this amount by DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.

The BYR was calculated by the OA-BP as follows (dollar amounts are in billions):

$$\frac{\$2,232.204096}{\$ 39,581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

### **Adjustments**

Article X, Section 18(d) provides that the revenue limit may be adjusted, ". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo, which was effective on July 1, 1981. In past years, the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. However, the Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

### **Composition of Total State Revenues**

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM II) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

From the revenue amounts obtained from SAM II, certain funds are entirely excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

**A. Lottery**

In November 1984, the voters approved Article III, Section 39(b) of the constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

**B. Alternative Care Trust Fund**

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo. The Department of Social Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Division of Veteran's Affairs hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.

**C. State Guaranty Student Loan Funds**

Federal legislation passed in 1997 made changes in the accounting required for federal education loans. Starting in federal fiscal year 1998, the federal government considers all monies in these funds as property of the federal government or guaranty agency. As a result, the state excludes these funds held in trust.

**D. Pansey Johnson-Travis Memorial State Gardens Trust Fund**

The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.

From the revenue amounts obtained from SAM II, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

**E. Federal Funds**

Article X, Section 17 of the constitution specifically excludes federal funds.

**F. Proposition C Sales and Use Tax\Interest**

In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16 of the constitution, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.

**G. Proposition A Gas Tax and License Fee Increases**

In April 1987, the voters approved Proposition A, which increased the motor fuel tax by four cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded. Also, see item **DD** below.

**H. Bond Sales**

An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR.

**I. Refunds**

Refunds received due to the overpayment of obligations by the state, as identified by certain revenue source codes, are excluded.

**J. Interagency Sales and Receipts**

Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue source codes, are excluded.

**K. Soil and Water Sales and Use Tax\Interest  
and**

**L. Parks Sales and Use Tax\Interest**

In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c) of the constitution states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.

**M. Redeposit of Investment Principal**

The redeposit of investment principal is excluded.

**N. Outlawed Checks**

Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.

**O. Redeposit of Loan Principal**

Redeposits of loan principal are excluded.

**P. Amendment 8 Motor Fuel Tax to Local Governments**

In August 1992, the voters approved an amendment to Article IV, Section 30(a) of the constitution which revised the apportionment of the motor fuel tax. In addition, the

amendment provided that beginning July 1, 1993, the net proceeds of fuel taxes allocated to local governments is excluded from TSR. Since the voters approved this revised allocation of the fuel tax, the fuel tax allocated to local governments is excluded. Also see item **DD** below.

**Q. Bingo**

The August 1992 amendment to Article III, Section 39(d) of the constitution related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo, requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

**R. Riverboat Gambling**

In August 1992, the voters approved an amendment to Article III, Section 39(d) of the constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d) of the constitution and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d) of the constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District entered its final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar portion of the state imposed two dollar admission fee payable to the state is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR. The remaining one dollar portion of the two dollar admission fee is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

**S.     Redeposit of State Funds**

The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.

**T.     Loan Proceeds**

The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.

**U.     Conservation Sales and Use Tax/Interest**

Pursuant to the Supreme Court decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999), the revenue derived from the one-eighth of one percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.

**V.     State Employee Expense Reimbursement**

The state receives reimbursement from private individuals, firms, partnerships, corporations, etc. for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account. These reimbursements are excluded.

**W.     Recovery Costs**

Monies received from others for costs incurred by the state or to be incurred by the state are excluded.

**X.     Cost Reimbursements**

Monies received from other governments for reimbursements of costs incurred by the state are excluded.

Regarding items W. and X., the state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. Although the constitution does not specifically mention cost reimbursements and recovery costs and they have not been the subject of a court decision, we have agreed with such exclusions because from an accounting standpoint, they would not be considered revenue.

**Y.     Canceled Checks**

Receipts derived from the redeposit of state checks that have been canceled are excluded.

**Z.     Local Match**

Local governments provided funds to the state to use as a local match to qualify for federal or state funding. Since these local match funds are not state funds, they are excluded.

**AA. Proceeds of Surplus Property Sales**

The proceeds from some sales of surplus property are initially deposited into the Proceeds of Surplus Property Sales Fund then they are disbursed from this fund to the state fund that owned the property. To avoid counting the same receipts in TSR twice, the state excludes amounts disbursed from the Proceeds of Surplus Property Sales Fund to other state funds.

**BB. Intergovernmental Transfer Program**

Starting in fiscal year 2001, the state participated in the Medicaid intergovernmental transfer (IGT) program. Under the IGT program the state was able to receive additional federal Medicaid matching funds based on enhanced payments to some government operated health care providers. The state made the enhanced payments to the providers and, after the state claimed the federal matching funds, the providers returned the enhanced payments to the state. Because these funds were simply returned to the state, similar to a refund, they are excluded from TSR.

**CC. WIC Rebates**

The Department of Health and Senior Services (DHSS) issues food instruments for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to program participants who use them to obtain formula at participating grocery stores and pharmacies. The participating grocery stores and pharmacies then redeem the food instruments. The food instruments are processed through the Federal Reserve System and the WIC program is charged for the food instruments presented. The DHSS records the redeemed food instruments and sends a monthly invoice to Mead Johnson who then rebates the federal monies to the state.

**DD. Amendment 3 Revenue Derived From Highway Users**

In November 2004, the voters approved an amendment to Article IV, Sections 29 and 30(a) through 30(c) and added Section 30(d) of the constitution, effective July 1, 2005.

Section 30(a) provides for the apportionment and distribution of net proceeds of motor fuel tax. This section further provides that, "...The net proceeds of fuel taxes apportioned, distributed and deposited under this section to the state road fund, counties, cities, towns and villages shall not be included within the definition of "total state revenues"...".

Motor vehicle fuel tax monies distributed to local governments excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item **P** above)

Section 30(b) provides for the use and distribution of revenue derived from highway users as an incident to their use or right to use the highways of the state (including all state license fees and taxes on motor vehicles, trailers and motor vehicle fuels and excepting sales tax on motor vehicles and trailers which are not distributed to the state road fund). This section

further provides that, "...The moneys apportioned or distributed under this section to the state road fund, the state transportation fund, the state road bond fund, counties, cities, towns or villages shall not be included within the definition of "total state revenues"...".

As a result, motor vehicle sales tax and special fuel non-gas tax, and fees from motor vehicle licenses or permits, interstate transportation licenses or permits, driver's licenses or permits, overdimension/overweight permits, other licenses and permits, and non-motor fuel decals credited to the State Road Fund, State Road Bond Fund, and/or State Transportation Fund are excluded from TSR.

The increase in interstate transportation license or permits for certain motor vehicles excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item G above)

Sections 29, 30(c), and 30(d) have no apparent Hancock implications.

### **Cash Management Improvement Act**

The state has to enter into an agreement with the federal government which governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

### **Agency Remitted Sales Tax**

Some state agencies sell goods or services to the public and collect sales tax. To avoid counting the same receipts in TSR twice, the sales tax remitted by state agencies to the Department of Revenue is excluded from TSR.

### **Abandoned Funds Claim Payments**

Under Section 447.543, RSMo, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

### **Expenditure Refunds**

According to Article X, Section 17(1) of the constitution, total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.



## Tobacco Master Settlement Agreement Proceeds

The OA-BP has excluded \$139,292,616 received from tobacco companies during fiscal year 2007. The Master Settlement Agreement was entered into effective November 23, 1998, between the major cigarette manufacturers and the states' Attorney Generals. Missouri received its first payments under the settlement agreement during fiscal year 2001 and future payments from tobacco companies extend in perpetuity. The payment received in 2001 included amounts under the settlement agreement for 1998, 2000, and 2001. The settlement agreement did not require a payment for 1999. Payments for fiscal years 2001 through 2006 were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2001	\$ 338,230,653
2002	172,679,543
2003	166,895,179
2004	142,829,966
2005	144,964,644
2006	133,078,222

The amounts received were coded in the state's accounting system to revenue source code 1806 - recovery costs, which is excluded from TSR. Recovery costs are defined under revenue source code 1806 as, "*all monies received from others for costs incurred or to be incurred by the state.*" The OA-BP believes these receipts should be excluded from TSR because the amounts represent a recovery of health care costs previously incurred or to be incurred by the state attributable to smoking.

Public information was not readily available to determine if the amounts recovered from the tobacco companies under the master settlement agreement were more or less than the health care costs incurred. In our audit for 2001, we reviewed three extensive research projects conducted by experts. We limited our analysis to Medicaid costs incurred in fiscal years 1998 through 2001. We did not consider Medicaid costs from past years prior to 1998. In addition, we did not consider other costs incurred by the state, such as employee health care costs attributable to smoking. These three research projects showed that Medicaid costs attributable to smoking were higher than the amount the state received from the tobacco companies under the settlement agreement. As a result, in our 2001 report we concluded it was proper for the OA-BP to exclude the amounts received from the tobacco companies as a recovery cost.

A study, "Tobacco Damages to the State of Missouri" by Glenn W. Harrison, was commissioned by the Missouri Attorney General's Office for use in a lawsuit against tobacco companies filed May 12, 1997. This lawsuit was dropped because Missouri joined a consortium of states in December 1998, in the Master Settlement Agreement with the tobacco companies. As a result, the Harrison study was not fully completed. However, the draft report provided an estimate of Medicaid costs attributable to smoking for 1970 through 2007 and an estimate of state employee health care costs attributable to smoking for 1970 through 1997. This study estimates that state costs attributable to smoking were higher than the amount the state received.

### **Compliance with Article X, Section 18(e)**

Article X, Section 18(e) of the constitution imposes an additional revenue limit, which states the general assembly shall not increase taxes or fees in any fiscal year without voter approval that in total produce new annual revenues greater than \$50 million adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. For fiscal year 2007, the OA-BP calculated these limits at \$84.3 million for the Missouri Personal Income amount and \$80.9 million for the one percent of total state revenues amount.

For fiscal year 2007, the OA-BP has determined that as a result of legislative actions net taxes and fees decreased by a total of \$163.4 million. As a result, it appears the state complied with Article X, Section 18(e).

## APPENDIX

ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
(ADOPTED NOVEMBER 4, 1980, AMENDED APRIL 2, 1996\*)

TAXATION

**Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized.** Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

**Section 17. Definitions.** As used in sections 16 through 24 of Article X:

(1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.

(2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.

(3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

**Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.**

(a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual

returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

**(e). Voter approval required for taxes or fees, when, exceptions--compliance procedure.**

1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after May 2, 1996, that increase the rate of an existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the

taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

**Section 19. Limits may be exceeded, when, how.** The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

**Section 20. Limitation on state expenses.** No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

**Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding.** The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

**Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.**

(a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

**Section 23. Taxpayers may bring actions for interpretations of limitations.** Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivision shall have standing to bring suit in a circuit court of proper venue and additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

**Section 24. Voter approval requirements not exclusive--self-enforceability.**

(a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

\* The 1996 amendment added Section 18(e).