



Susan Montee, CPA

Missouri State Auditor

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January 2007

# ADMINISTRATION

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

Year Ended June 30, 2006



Office Of  
Missouri State Auditor  
Susan Montee

January 2007

**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, 2006.

Total state revenue was calculated at \$8.6 billion, while the refund threshold was calculated at \$10 billion, which means state revenue was under the revenue limit by \$1.4 billion for the year ended June 30, 2006.

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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, 2006, 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 2005. 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 work for this review was substantially completed by December 2006.

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  
Audit Manager: Peggy Schler, 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 Missourians' 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, 2006, 2005, 2004, 2003, and 2002. The results of our review determined that for the year ended June 30, 2006, TSR was approximately \$1.45 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2006.

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.

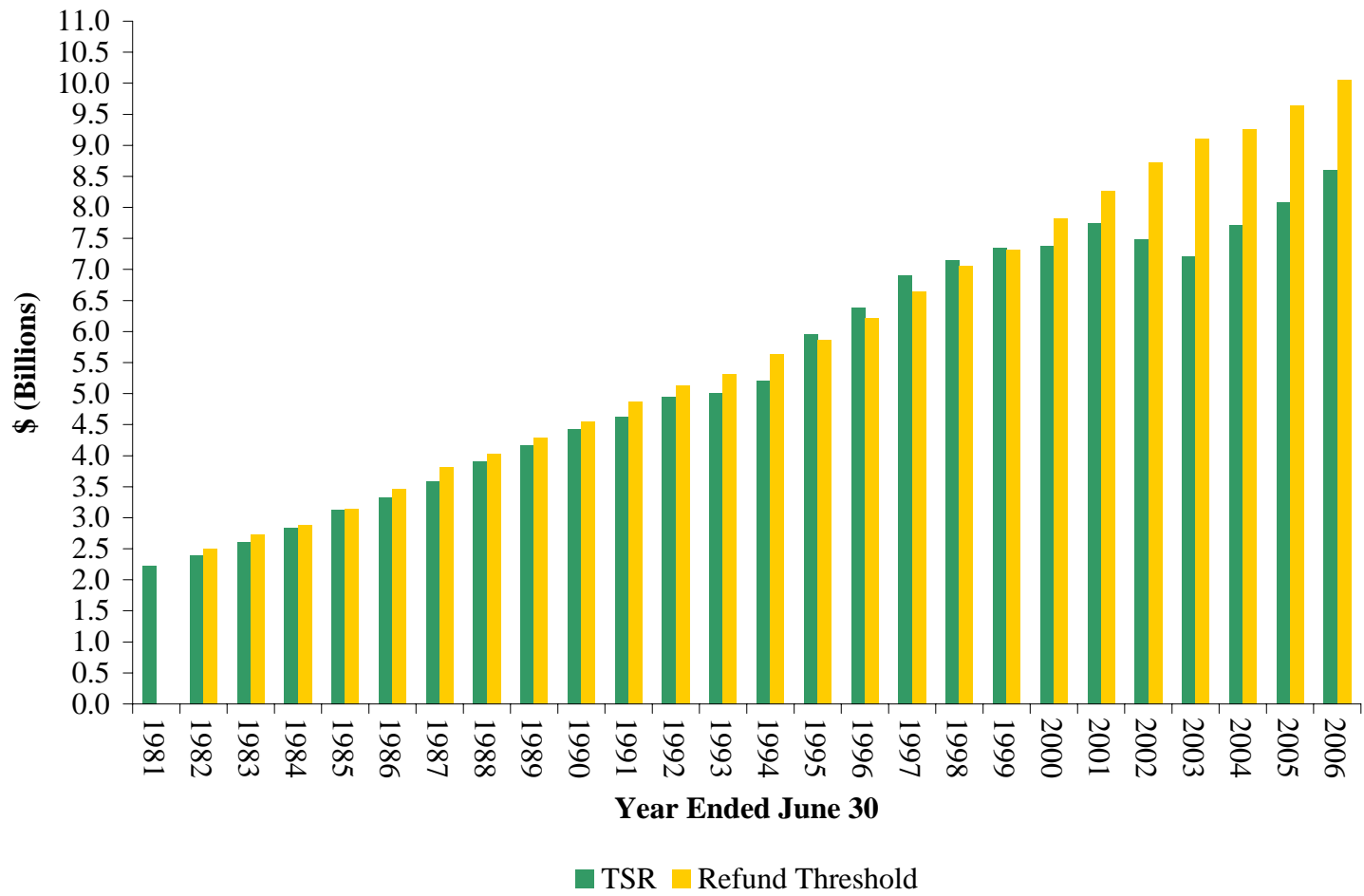
This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately \$6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 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,				
	2002	2003	2004	2005	2006
<b>TOTAL STATE REVENUE (TSR)</b>					
Total state receipts	\$ 18,127.97	18,347.05	18,893.99	19,500.87	20,919.97
Less excluded revenue	(9,541.77)	(9,904.25)	(10,050.55)	(10,288.16)	(11,170.56)
Less expenditure refunds	(1,165.04)	(1,252.34)	(1,126.23)	(1,127.33)	(1,185.51)
Add refundable tax credits	67.19	10.07	4.07	4.79	31.20
<b>TSR</b>	<b>\$ 7,488.35</b>	<b>7,200.53</b>	<b>7,721.28</b>	<b>8,090.17</b>	<b>8,595.10</b>

**REVENUE LIMIT AND REFUND THRESHOLD**

Missouri personal income	\$ 152,448.00	159,093.00	161,648.00	168,512.00	175,524.00
Base year ratio	x 0.056395	0.056395	0.056395	0.056395	0.056395
Base limit	8,597.30	8,972.05	9,116.14	9,503.23	9,898.68
Judicial article amendment	43.52	43.52	44.28	45.81	45.81
Revenue limit	8,640.82	9,015.57	9,160.42	9,549.04	9,944.49
1 percent adjustment	86.41	90.16	91.60	95.49	99.44
<b>Refund threshold</b>	<b>\$ 8,727.23</b>	<b>9,105.73</b>	<b>9,252.02</b>	<b>9,644.53</b>	<b>10,043.93</b>

**REFUND CALCULATION**

TSR	\$ 7,488.35	7,200.53	7,721.28	8,090.17	8,595.10
Less refund threshold	8,727.23	9,105.73	9,252.02	9,644.53	10,043.93
Over (Under) Threshold	(1,238.88)	(1,905.20)	(1,530.74)	(1,554.36)	(1,448.83)
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,				
		2002	2003	2004	2005	2006
1001	Sales and use tax	\$ 1,736,714,171	1,737,612,158	1,821,777,954	1,887,769,667	1,957,288,809
1003	(l) Parks sales and use tax	36,220,266	35,939,862	37,391,971	38,608,924	39,628,892
1005	(k) Soil and water sales and use tax	36,220,270	35,947,537	37,394,824	38,608,927	39,632,549
1007	General revenue reimbursements - local sales and use tax	1,835,145	1,838,920	1,952,122	1,850,561	1,874,991
1009	Motor vehicle sales tax	224,606,585	210,455,391	215,078,975	210,749,553	73,944,788
1009	(dd) Motor vehicle sales tax - Amendment 3	-	-	-	-	106,679,065
1011	(u) Conservation sales and use tax	90,545,178	89,855,329	93,488,139	96,524,659	99,069,219
1013	(f) Proposition C sales and use tax	707,412,040	702,831,412	731,735,057	756,380,208	778,913,723
1015	Sales and use taxes paid under protest	450,179	304,292	6,034,772	925,453	154,942
1022	Individual income tax	4,470,625,351	4,392,707,326	4,579,484,729	4,866,347,540	5,360,652,738
1024	Individual income taxes paid under protest	81,600	42,353	55,591	121,038	27,095
1026	Corporate income tax	448,568,753	366,848,435	329,596,001	354,390,367	528,814,068
1028	Corporate income taxes paid under protest	456,457	1,451	-	-	27,012
1033	County foreign insurance tax	160,589,220	157,209,442	162,129,552	165,480,625	189,702,198
1037	Worker's compensation insurance tax	2,221,514	18,558,537	45,780,130	23,532,434	2,070,359
1039	Worker's compensation insurance tax - second injury	41,202,150	43,490,045	73,637,324	73,796,417	69,529,997
1041	Excess lines of insurance tax	12,516,253	19,545,210	23,300,865	24,929,980	22,028,985
1049	Heavy beer tax	8,139,919	8,162,402	8,287,133	8,127,177	8,368,270
1051	Light beer tax	87,955	52,013	43,970	44,632	41,247
1053	Liquor tax	14,623,630	14,914,429	15,792,060	16,159,921	16,848,358
1055	Wine tax	3,056,127	3,679,658	3,902,201	3,975,042	4,286,145
1057	Cigarette tax	97,272,540	97,945,955	98,815,335	99,247,687	99,873,124
1059	Tobacco product tax	9,545,626	10,204,096	10,837,459	11,035,093	11,448,194
1060	Motor vehicle fuel tax	387,710,815	394,517,707	407,048,241	415,205,844	415,115,603
1060	(g) Motor vehicle fuel tax	165,590,555	168,030,100	173,258,962	176,987,003	175,587,964
1060	(p) Motor vehicle fuel tax	146,965,204	149,130,374	153,771,103	157,079,820	-
1060	(dd) Motor vehicle fuel tax-Amendment 3	-	-	-	-	155,838,142
1062	Special fuel non-gas tax	1,177,761	2,431,054	1,829,636	2,118,492	1,240,891
1062	(dd) Special fuel non-gas tax - Amendment 3	-	-	-	-	106,978
1064	Aviation fuel tax	429,032	549,406	409,621	405,276	353,686
1070	Corporation franchise tax	20,753,109	70,265,700	91,387,675	119,446,502	77,827,368
1073	Estate tax	136,954,962	81,496,285	75,115,067	42,221,932	15,569,883
1074	(q) Bingo tax	3,187,204	3,209,784	2,909,716	2,703,789	2,472,633
1076	(r) Gaming commission gross receipts tax	217,286,247	234,237,771	251,587,273	270,532,391	286,934,255
1080	Real and personal property tax	18,640,204	18,888,626	19,450,597	19,737,535	22,825,969
1082	Delinquent real and personal property tax	2,347,829	2,601,540	3,312,254	3,499,542	2,281,634
1084	Hazardous waste tax	3,547,403	3,363,038	3,367,830	3,100,982	1,287,666
1085	Managed care organization reimbursement allowance	-	-	-	-	17,174,996
1088	Nursing facility reimbursement allowance	9,641,756	9,314,474	9,833,951	13,116,650	11,810,655
1089	Pharmacy Reimbursement Allowance	-	15,320,294	17,131,990	18,995,336	15,079,728
1090	Federal reimbursement allowance	7,939,464	13,566,447	15,134,996	33,782,892	17,142,839
1092	Payments in lieu of taxes	175,000	-	-	-	-
1093	Athletic events tax	151,771	57,801	95,742	180,817	86,504
1095	Surcharges	606,134	695,555	766,956	1,566,759	8,261,197
1097	Agency collected sales taxes	457,602	415,473	435,451	386,577	374,927
1099	Other taxes	67,313	64,944	90,237	109,316	88,684
1100	Professional licenses or permits	20,114,035	20,593,036	26,304,410	23,938,936	26,330,221
1102	Recreational licenses or permits	4,111,095	4,198,718	4,435,398	4,656,292	4,313,421
1104	All-terrain vehicle licenses or permits	536	852	118	362	1,029
1106	Motor vehicle licenses or permits	168,023,626	166,405,505	174,810,579	180,565,635	104,739,988
1106	(dd) Motor vehicle licenses or permits-Amendment 3	-	-	-	-	81,033,917
1108	Interstate transportation licenses or permits	56,996,602	57,332,152	56,525,164	59,110,421	50,934,127
1108	(g) Interstate transportation licenses or permits	5,118,406	5,054,226	4,964,903	5,066,222	-

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,				
		2002	2003	2004	2005	2006
1108	(dd) Interstate transportation licenses or permits-Amendment 3	-	-	-	-	24,600,544
1110	Driver's licenses or permits	21,059,328	22,864,738	16,559,810	17,088,649	7,938,652
1110	(dd) Driver's licenses or permits-Amendment 3	-	-	-	-	9,609,103
1112	Land reclamation commission permits	370,237	469,778	536,854	535,465	567,114
1114	Salesman licenses or permits	4,469,430	3,209,485	225,190	252,940	254,160
1116	Vehicle and boat manufacturer and dealer licenses	911,210	923,960	973,838	976,181	992,413
1118	Liquor licenses or permits	4,383,474	3,799,292	3,877,954	3,986,540	4,118,092
1120	Gaming commission licenses	1,792,626	2,216,175	1,873,125	1,777,891	1,441,184
1122	Beer licenses or permits	11,966	11,038	8,849	7,472	6,861
1124	Motor carrier licenses	2,600,105	2,503,702	2,516,988	2,611,895	2,292,089
1126	Hunting and fishing licenses and commission permits	27,584,035	28,407,143	29,224,056	29,295,503	28,285,286
1127	Hunting and fishing special tags	1,130,411	1,321,864	1,126,188	1,134,412	1,186,138
1128	Hazardous waste transporter licenses	346,030	281,820	286,091	338,746	164,379
1130	Water pollution control permits	3,839,546	3,987,010	4,318,335	4,377,961	4,542,878
1132	Overdimension/overweight permits	4,625,179	4,454,546	4,913,789	5,286,025	2,568
1132	(dd) Overdimension/overweight permits-Amendment 3	-	-	-	-	5,615,174
1134	Merchant licenses	873,699	996,908	1,044,668	1,178,706	1,132,984
1136	Tobacco licenses	27,300	24,500	25,300	24,100	25,900
1138	Temporary licenses	925	675	742	755	307
1140	Duplicate plates	1,177	1,802	1,865	2,201	17,836
1149	Other licenses and permits	2,337,885	3,365,225	3,703,824	5,356,182	3,364,580
1149	(dd) Other licenses and permits-Amendment 3	-	-	-	-	1,578,504
1150	Lobbyist registration fees	2,260	2,130	1,340	1,970	2,961
1152	Motorboat fees	5,854,312	5,781,775	6,812,398	7,852,101	6,970,789
1154	Narcotics and dangerous drugs fees	509,416	1,024,210	805,479	620,506	999,794
1156	Occupational boards exam fees - individual exam fees	742,937	711,368	879,392	969,081	594,716
1160	Non-motor fuel decal fees	152,485	135,790	115,455	100,966	-
1160	(dd) Non-motor fuel decal fees-Amendment 3	-	-	-	-	110,608
1162	Filing fees	14,711,378	14,289,774	20,980,420	19,927,361	19,517,988
1163	Certifying/Authenticating Fees	-	-	726,665	192,184	64,251
1164	Transfer fees	22,854	24,328	21,547	27,014	30,365
1169	Other registration fees	12,140,319	12,464,041	7,213,300	7,542,362	7,343,546
1174	Asbestos fees	261,965	251,871	247,992	276,147	286,911
1178	Milk control fees	39,565	52,507	100,087	64,066	63,193
1180	Home health care license fees	113,400	120,000	121,350	117,750	112,800
1182	Nursing home license fees	140,044	146,683	135,174	132,404	164,447
1184	Title V emissions fees	6,704,597	7,926,714	8,663,826	8,250,446	8,531,692
1185	Emission fees/non Title V facilities	445,920	368,441	368,492	344,704	382,437
1186	Boarding home license fees	715,855	725,487	712,583	724,251	718,914
1188	Public utilities fees	19,126,770	19,702,341	19,990,103	19,261,361	18,355,749
1190	Hospital license fees	84,122	94,152	86,032	83,647	85,704
1192	Grain warehouse license fees	36,288	33,687	33,964	34,161	32,246
1194	Missouri primacy fees	2,374,641	2,666,930	2,639,033	2,794,025	2,560,720
1196	Underground storage tank annual participation fees	1,255,623	1,234,514	597,671	-	-
1198	Transport load fees	16,834,815	22,803,622	23,904,017	23,665,383	23,389,711
1200	Storage tank registration fees	56,310	46,205	215,545	224,440	259,296
1202	Tourist cabin permit fees	230,025	190,954	195,510	46,881	186,847
1206	Solid waste disposal fees	11,737,917	10,998,242	11,012,418	11,473,573	11,855,266
1208	New tire fees	2,044,605	2,241,714	1,623,688	27,332	953,815
1209	Battery Fee	-	-	-	-	288,524
1210	Ground water protection fees	441,978	444,101	543,966	623,233	666,068

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,				
		2002	2003	2004	2005	2006
1214	Insurance regulatory fees, renewals and purchasing groups	1,862,781	1,829,238	1,787,206	1,718,125	2,451,504
1216	Air conservation commission permit fees	283,085	463,279	472,619	449,690	349,094
1218	Bingo license fees	71,905	69,820	62,277	67,275	52,570
1220	Lab fees	1,355,954	1,800,967	2,461,317	2,424,212	4,432,911
1222	Program administration fees	674,018	768,707	726,810	713,491	731,723
1223	Confined animal feed operation indemnity fees	44,649	33,486	64,619	37,731	41,953
1224	Railroad assessments	1,076,878	539,513	654,101	971,729	499,106
1227	Enhanced vehicle emission inspection fees	1,666,518	1,707,770	1,706,183	1,738,699	1,685,333
1229	Beverage inspection fees	444,998	55,556	-	-	-
1233	Grain warehouse inspection fees	1,590,763	1,616,019	1,573,755	1,741,117	1,529,055
1235	Milk inspection fees	1,377,533	1,366,630	1,383,077	1,379,483	1,196,302
1237	Ice cream products inspection fees	22,517	39,460	27,280	31,700	31,360
1239	Mine inspection fees	68,324	74,486	75,953	66,982	88,502
1241	Mobile home and recreational vehicle inspection fees	377,812	428,085	654,744	745,037	823,258
1243	Oil inspection fees	2,415,488	2,164,079	2,567,947	2,557,810	2,543,426
1249	Other inspection fees	1,042,563	1,197,621	1,302,603	1,370,310	1,503,392
1250	Collection fees	17,166,793	17,941,164	18,813,734	19,775,880	21,095,935
1250 (c)	Collection fees - Fund 880	-	7,149	-	-	-
1252	Admission fees	1,036,032	1,191,555	1,292,168	1,341,952	1,108,448
1252 (r)	Admission fees - Riverboat gambling	48,607,527	51,061,261	52,561,952	54,146,991	54,679,803
1254	State auditor fees	746,288	991,184	840,199	1,071,601	1,231,909
1260	Grade crossing safety fees	1,206,302	1,204,109	1,215,990	1,250,036	1,491,051
1262	Loan administration fees	2,700,281	2,624,013	3,145,252	3,810,458	4,274,803
1262 (c)	Loan administration fees - Fund 881	9,165	-	-	-	1,895
1264	Court fees	17,665,443	17,478,866	20,538,094	21,604,235	22,925,711
1266	Financial institutions examination fees	6,537,159	6,476,118	6,990,259	7,209,189	7,924,104
1268	Consumer finance license fees	720,525	793,125	875,325	986,550	1,005,300
1270	Transcript fees	148,507	170,160	147,137	139,175	143,371
1272	Land Survey Fees	-	-	-	(1,300)	-
1274	Marketing development fees	244,854	185,869	181,565	212,008	309,413
1276	Miscellaneous insurance fees	570,580	647,075	669,215	601,590	514,125
1278	Gaming commission administrative income	3,319	3,762	3,648	1,011	933
1279 (a)	Lottery commission fees	309,450	338,073	290,689	387,762	337,854
1280	Motor vehicle inspection sticker fees	4,267,409	4,412,638	4,457,993	4,533,806	4,466,495
1282	Logo sign advertising fees	3,494,840	3,545,681	3,805,960	4,161,752	4,608,913
1284	Public defender fees	820,470	1,142,491	1,456,724	1,455,500	1,771,541
1286	Witness fees	6,008	4,304	8,060	6,961	6,162
1286 (a)	Witness fees - Fund 657	-	40	-	-	-
1288	County recorders fees	12,647,575	11,423,587	11,038,590	9,404,215	9,501,397
1290	Training or conference fees	36,773	40,290	40,537	45,410	96,483
1294	Electronic monitoring fee	1,346,871	1,493,475	1,634,176	1,640,776	1,626,475
1298	Substance abuse offender program fees	1,817,839	1,924,812	3,642,414	3,872,787	3,946,177
1302	Criminal records check fees	4,107,926	4,344,223	4,116,455	5,669,234	6,733,119
1303	Other fees	5,676,537	5,720,090	6,526,807	7,025,043	11,724,083
1305 (h)	Bond sales proceeds	413,049,331	398,337,310	262,829,539	3	370,196,052
1310	Land sales	3,590,127	2,027,355	4,755,543	5,512,710	5,001,965
1312	Sales of natural resources products	2,281,434	2,698,580	2,878,772	3,524,846	3,836,475
1314	Sales of agriculture products	1,555,108	1,416,064	1,667,391	1,750,295	1,852,115
1316	Manufactured product sales	7,107,259	5,404,285	8,276,056	7,799,864	7,892,157
1318	Information sales	3,577,403	3,361,956	3,343,120	3,237,949	3,283,582
1320	Souvenir sales	729,830	620,334	617,851	626,113	595,639
1322	Surplus property sales - State	5,785,741	1,650,166	2,345,583	1,626,659	1,522,369
1322 (a)	Surplus property sales - State - Lottery Fund 657	98,098	-	-	-	10,000
1322 (aa)	Surplus property sales - State - Fund 710	1,179,903	787,350	1,088,245	1,374,300	746,426

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,				
		2002	2003	2004	2005	2006
1322	(c) Surplus property sales - State - Fund 880	14,063	-	-	-	-
1324	Surplus property sales - Federal	2,870,157	2,318,658	2,037,258	2,281,737	2,903,435
1324	(c) Surplus property sales - Federal - Fund 880	-	-	-	-	-
1326	Unclaimed Property Sales	-	3,796	350	-	-
1328	Sales of fixed assets - control	5,195,082	7,368,247	6,405,790	6,740,642	9,052,606
1330	Vital records sales	1,219,613	1,244,136	1,200,507	1,436,055	1,867,182
1332	(a) Lottery ticket sales	282,517,043	310,793,243	366,115,206	345,575,845	416,691,040
1334	Cafeteria sales	1,083,947	680,970	720,508	613,530	654,178
1338	Other sales	288,147	460,178	618,051	238,143	223,093
1338	(a) Other sales - State lottery Fund 657	-	-	-	643	-
1340	Gain on sale of fixed assets	342	15,411	-	-	-
1342	Supply sales	107	797	637	618	342
1401	Land rentals/leases	2,166	1,066	1,066	1,066	56,052
1403	State facilities rentals/leases	910,889	786,443	915,819	703,612	762,715
1404	Parking rentals/leases	87,105	80,831	75,793	68,872	72,349
1405	Concessions and recreational rentals/leases	2,346,366	2,286,164	2,093,605	2,310,330	2,292,138
1407	Housing/building rentals/leases	345,124	327,344	271,249	255,272	267,281
1409	Other leases and rentals	1,512,930	1,285,740	1,161,489	842,244	820,430
1414	(e) Medicare	7,780,676	10,023,586	7,891,969	13,104,191	11,840,541
1418	(e) Medicaid	84,837,220	113,715,423	116,247,130	113,767,474	104,129,943
1420	(e) Medicaid - community based	52,544,520	55,460,400	29,086,883	46,154,590	114,403,516
1422	Private Payments	7,619,066	8,012,154	7,643,629	7,484,711	7,172,906
1424	Insurance payments	2,550,849	2,832,410	2,483,663	2,183,788	2,627,062
1426	Other payments	564,806	225,715	164,919	82,499	223,016
1434	Institutional support fees	39,093	55,357	171,780	29,525	73,761
1436	Room and care	15,998,636	18,807,181	20,559,387	23,390,722	25,408,983
1438	Fleet services operations/maintenance	409	-	-	-	395
1442	Mail/freight services	290	1,170	2,555	1,686	1,798
1444	Telephone billing	-	-	698	-	-
1446	Printing service	62,928	81,288	99,901	112,719	156,303
1448	Computer services	43,359	1,850	1,673	3,699	4,279
1450	Administration services	-	-	3,025	-	-
1452	Flight Operations Services	-	29,352	-	-	-
1501	Private donations	2,492,123	4,233,004	3,494,597	3,038,212	2,132,328
1502	Other governmental entity donations	-	-	29,000	6,458	35,470
1507	(e) Nasao (airport inspections)	-	-	-	-	5,500
1510	(e) US Department of Agriculture	330,201,447	298,793,799	315,309,213	324,208,864	341,963,232
1512	(e) US Department of Defense	2,298,922	2,347,401	2,556,350	3,139,604	4,780,027
1514	(e) US Department of Housing and Urban Development	41,806,127	36,536,630	39,383,092	38,264,807	34,944,621
1516	(e) US Department of Interior	18,902,443	15,353,170	18,635,222	20,010,553	26,236,848
1518	(e) US Department of Justice	7,728,788	7,866,985	23,534,299	45,439,686	67,710,357
1520	(e) US Department of Labor	81,124,949	71,641,936	73,958,806	75,173,714	80,155,791
1522	(e) US Department of Education	454,924,801	521,034,164	567,929,279	607,650,375	655,561,523
1522	(c) US Department of Education - Fund 880	4,999,860	6,100,044	7,008,260	6,777,654	7,753,744
1522	(c) US Department of Education - Fund 881	28,331,940	22,923,277	21,146,522	42,401,412	54,653,829
1524	(e) US Department of Transportation	830,459,784	785,228,408	727,496,377	832,914,720	827,044,903
1526	(e) National Foundation for the Arts and Humanities	3,246,308	4,148,758	3,693,442	3,118,665	3,928,489
1528	(e) US Veterans Administration	25,762,073	43,965,656	28,976,671	26,333,616	28,181,524
1529	(e) US Gen Service Administration	-	-	-	6,577	7,113
1530	(e) US Environmental Protection Agency	73,043,437	99,863,990	92,846,554	65,371,097	67,603,444
1532	(e) US Department Of Energy	6,867,744	6,786,185	6,657,746	7,971,473	7,526,734
1534	(e) Federal Emergency Management Agency	23,743,625	62,257,331	30,750,178	15,694,217	8,273,328
1536	(e) US Department of Health and Human Services	3,973,851,735	4,274,976,158	4,400,831,476	4,940,907,333	4,905,437,144
1538	(e) National and Community Services	37,589,655	-	8,722	3,607	1,115
1540	(e) US Social Security Administration	145,185	35,035,237	35,120,494	32,955,548	32,848,371
1542	(e) National Archives and Records	-	105,355	2,000	104,549	-

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,				
		2002	2003	2004	2005	2006
1544	(e) Elections Assistance Commission	-	17,348,011	44,914,650	-	-
1546	(e) US Department of Treasury	-	95,136,209	95,183,169	-	-
1549	(e) Miscellaneous federal revenues	28,218,828	70,907,767	170,523,112	32,039,098	37,287,497
1551	County mental health programs	7,117,257	8,396,216	7,915,368	8,823,579	9,989,505
1560	(e) Federal pass-through grants	45,245,956	37,229,036	32,910,930	38,100,579	47,538,058
1601	Time deposits interest	20,112,963	7,168,428	3,746,600	5,893,485	12,895,202
1601	(f) Time deposits interest - Fund 688	448,257	174,813	97,299	157,407	411,767
1601	(a) Time deposits interest - Fund 657	161,921	48,965	23,981	36,639	159,048
1601	(k) Time deposits interest - Fund 614	202,029	76,599	41,312	71,316	186,636
1601	(l) Time deposits interest - Fund 613	115,693	38,686	17,757	21,759	47,803
1601	(b) Time deposits interest - Fund 905	20,567	10,321	5,937	10,028	26,020
1601	(q) Time deposits interest - Fund 289	54,577	20,226	9,344	12,525	20,526
1601	(r) Time deposits interest - Fund 285	90,929	38,369	19,958	34,523	92,255
1601	(d) Time deposits interest - Fund 963	146	63	37	73	203
1601	(u) Time deposits interest - Fund 609	113,270	64,936	39,631	64,275	146,264
1601	(c) Time deposits interest - Fund 851	265,935	52,142	3,157	2,333	692
1601	(c) Time deposits interest - Fund 880	67,365	28,579	23,770	50,877	125,596
1601	(c) Time deposits interest - Fund 881	241,818	79,161	39,279	42,233	94,280
1603	U.S./agency securities interest	79,952,145	54,142,188	43,022,691	49,506,581	92,567,456
1603	(f) U.S./agency securities interest - Fund 688	1,522,193	1,105,802	816,747	1,041,365	1,873,702
1603	(a) U.S./agency securities interest - Fund 657	515,992	296,293	200,741	236,997	683,862
1603	(k) U.S./agency securities interest - Fund 614	643,417	469,100	340,616	453,657	794,963
1603	(l) U.S./agency securities interest - Fund 613	373,358	236,966	147,844	142,987	210,279
1603	(b) U.S./agency securities interest - Fund 905	64,539	63,683	48,999	64,582	109,873
1603	(q) U.S./agency securities interest - Fund 289	172,788	122,984	77,495	81,826	85,557
1603	(r) U.S./agency securities interest - Fund 285	301,157	229,696	166,287	223,260	416,621
1603	(d) U.S./agency securities interest - Fund 963	1,772	1,697	1,615	1,433	1,827
1603	(u) U.S./agency securities interest - Fund 609	453,080	404,320	325,892	412,250	625,465
1603	(c) U.S./agency securities interest - Fund 851	831,658	277,254	26,518	15,656	2,480
1603	(c) U.S./agency securities interest - Fund 880	214,027	179,544	193,633	324,274	525,676
1603	(c) U.S./agency securities interest - Fund 881	774,507	480,589	326,989	277,329	399,813
1605	Other investment interest	1,069,324	1,051,329	525,665	400,000	610,000
1610	Interest on loans	662,489	834,899	1,068,022	951,381	1,020,355
1612	Interest Federal	-	-	643	13,523,913	16,232,810
1614	Interest on receivables	51,657	58,011	56,302	201,562	33,040
1615	Interest on receivables - control	-	-	-	-	-
1616	Interest on settlements	13,635	122,645	47,983	94,709	57,276
1618	Other interest	1,949,877	1,307,512	1,071,386	29,162	58,582
1618	(c) Other interest - Fund 880	34,784	11,202	-	-	122,516
1621	Penalties	14,727,271	17,737,789	17,547,145	19,400,092	14,246,673
1621	(q) Penalties Fund 289	-	-	-	15	-
1622	Penalties - control	160,000	-	-	-	-
1624	Settlements	2,907,001	858,540	1,993,625	4,736,944	7,970,583
1624	(a) Settlements - Lottery Fund 657	32,361	-	-	-	-
1626	Court awards	1,446,864	1,346,078	2,039,930	1,681,369	1,732,607
1628	Insufficient funds charges	7,055	5,168	10,609	7,703	7,186
1628	(a) Insufficient funds charges - Fund 657	-	20	-	-	-
1629	Insufficient funds charges - control	21	-	-	-	-
1634	Estates	811,820	329,323	1,028	449	66
1636	Unclaimed properties	30,994,590	38,583,756	76,804,125	53,672,476	92,367,911
1700	(i) Salary refunds - federal	628,973	607,207	464,856	695,196	614,734
1701	(i) Salary refunds - state	59,128	48,677	79,988	40,575	48,639
1702	(i) Salary refunds - local/other	37,240	28,205	23,047	28,205	17,929
1703	(i) General relief pension refunds	4,045,153	4,021,572	2,830,777	1,186,474	121,698
1704	(i) Blind pension refunds	3,402	11,659	73,105	2,788	5,886
1706	(i) Dependent children pension refunds	663,789	426,750	376,190	367,373	356,838
1715	(i) Day care refunds	113,434	119,927	61,322	72,401	58,904
1717	(i) Medicare - Medicaid refunds	186,014,638	212,955,744	250,677,523	331,852,999	413,909,726

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,				
		2002	2003	2004	2005	2006
1719	(i) Cost in criminal cases refunds	227,989	270,948	342,290	447,889	565,968
1721	(i) Vendor refunds - federal	1,897,512	1,473,246	1,043,953	1,313,190	1,008,453
1722	(i) Vendor refunds - state	752,848	1,288,711	1,003,623	747,697	603,961
1722	(a) Vendor refunds - state - Lottery Fund 657	4,531	1,870	6,130	6,045	24,422
1722	(c) Vendor refunds - state - Student Loans 880	-	-	-	1,857	753
1722	(c) Vendor refunds - state - Student Loans 851	-	-	-	100	9,000
1723	(i) Vendor refunds - local/other	354,303	235,601	387,345	290,456	294,599
1723	(c) Vendor refunds - local/other - Fund 880	360	-	-	1,151	-
1724	(i) Political subdivision refunds	80,574	-	359,837	9,919	18,180
1725	(i) Excess court payment refunds	1,845,533	1,717,352	1,573,649	1,499,024	795,229
1727	(i) School refunds	6,318,969	5,587,349	6,048,847	5,689,555	5,314,240
1728	(i) Scholarship refunds	-	143,902	252,530	314,355	349,559
1728	(c) Scholarship refunds - Fund 881	-	-	216	-	-
1729	(i) Audit findings - federal	232,392	223,038	144,227	194,239	120,584
1730	(i) Audit findings - state	105,802	56,428	198,436	50,321	-
1731	(i) Audit findings - local/other	15,721	6,093	21,462	38,282	52,665
1732	(i) Utility refunds	18,716	7,166	12,383	9,131	13,651
1733	(i) Fuel tax refunds	199,071	251,078	325,004	300,863	227,324
1733	(a) Fuel tax refunds Fund 657	-	-	-	-	277
1733	(c) Fuel tax refunds Fund 880	-	-	-	3	24
1737	(i) Other refunds	2,833,793	2,987,825	4,013,975	2,585,121	3,630,689
1737	(c) Other refunds - Fund 880	-	5,321	322	-	-
1737	(c) Other refunds - Fund 881	29,354,812	8,761,805	8,675	-	25,710
1806	(w) Recovery costs	187,032,686	181,232,299	163,653,275	158,226,200	147,510,945
1806	(a) Recovery costs - Lottery Fund 657	-	5,504	667	-	-
1806	(bb) Intergovernmental transfer program	366,225,540	144,251,000	30,326,961	26,875,705	-
1808	Deposit of surplus property funds	395,011	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	1,494,703	925,923	2,147,704	3,942,050	4,235,868
1812	(x) Cost reimbursements - federal	867,680	1,258,193	281,369	481,878	854,596
1812	(c) Cost reimbursements - Fund 880	-	-	-	2,146	-
1813	(x) Cost reimbursements - state	21,148,451	35,642,920	24,503,507	20,069,835	17,379,683
1813	Cost reimbursements - state (included)	6,575,082	6,638,598	7,038,004	8,011,183	9,299,758
1813	(c) Cost reimbursements - Fund 880	-	-	-	213	247
1814	(x) Cost reimbursements - local/other	108,270,236	122,389,750	131,365,650	114,342,412	127,523,055
1814	(c) Cost reimbursements - local/other - Guaranty Agency Operating Fund 880	-	991	-	-	6
1816	Bond account	4,252,343	5,740,905	6,676,769	7,278,870	6,375,510
1818	(v) Employee expense reimbursement - federal	500	100	112	1,756	-
1819	(v) Employee expense reimbursement - state	3,745	2,380	2,816	1,447	615
1820	(v) Employee expense reimbursement - local/other	628	4	-	969	771
1821	(v) Employee personal expense reimbursement	48,084	17,634	20,740	33,588	37,578
1821	(c) Employee personal expense reimbursement - Fund 880	-	34	-	137	88
1822	(n) Outlawed checks	6,490,071	5,369,639	9,391,724	7,329,715	6,015,970
1822	(a) Outlawed checks - Lottery Fund 657	5,056	-	-	-	-
1822	(b) Outlawed checks - Alternative Care Trust Fund 905	12,348	3,598	17,439	2,620	3,850
1822	(c) Outlawed checks - Fund 881	-	-	3,184	-	-
1824	(y) Canceled checks	828,552	5,509,977	4,151,727	5,801,505	4,218,841
1824	(a) Canceled checks - Lottery Fund 657	-	-	38	19,368	32,995
1824	(b) Canceled checks - Alternative Care Trust Fund 905	5,369	1,030	173	2,880	-
1824	(c) Canceled checks - Fund 880	1,050	-	-	-	-

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,				
		2002	2003	2004	2005	2006
1824	(q) Canceled checks - Bingo Fund 289	122	-	-	-	-
1826	(m) Redeposit of investments principal	1,334,300	751,921	1,850,020	1,267,000	2,820,075
1826	(d) Redeposit of investments principal Pansy Johnson Trust Fund 963	-	-	-	5,000	-
1828	(o) Redeposit of loan principal	82,912,767	29,525,552	96,777,971	48,774,710	32,786,258
1830	Telephone commissions	2,579,215	1,939,388	2,951,377	2,220,545	2,191,590
1832	Commission on sales	89,641	51,746	36,385	42,918	33,051
1834	Rebates	33,964	1,593,777	3,248,923	3,186,878	2,657,841
1834	(a) Rebates - Lottery Fund 657	45	16	46	169	381
1834	(c) Rebates - Fund 880	-	-	-	3	26
1834	(cc) Rebates - WIC	-	28,832,678	32,459,831	33,432,384	36,203,754
1836	Housing and maintenance receipts	15,283	40,315	44,144	61,888	61,026
1838	Loan defaults	255,479	267,384	222,620	374,067	280,132
1840	(t) Loan proceeds	20,150,508	24,244,308	10,268,507	8,688,830	1,787,376
1842	(o) Loan repayment	54,691	82,059	83,583	92,404	94,639
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
1843	(o) Loans receivable contra account	2,686,402	6,589,491	5,367,701	18,300,256	12,156,376
1844	Insurance proceeds	63,308	42,945	3,148	5,295	7,089
1846	Capital credits/dividends	33,906	59,896	44,721	55,706	47,137
1848	Recycling receipts	119,446	43,785	76,608	130,338	135,281
1850	Forfeitures	1,837,745	2,201,018	2,437,245	2,071,385	1,989,974
1852	Overpayments	5,874,156	6,287,933	4,345,745	1,771,438	2,337,400
1852	(c) Overpayments - Fund 880	311	3,889	-	-	-
1856	(e) Other miscellaneous receipts - federal	6,826,201	4,093,602	2,774,771	6,886,042	5,063,853
1858	Other miscellaneous receipts - state	3,398,319	2,764,572	12,010,358	1,991,881	2,922,024
1858	(a) Other miscellaneous receipts - state - Lottery Fund 657	1,545	3,280	7,403	4,461	8,565
1858	(b) Other miscellaneous receipts - state - Alternative Care Trust Fund 905	11,032,949	11,188,245	10,964,014	10,260,864	10,698,732
1858	(c) Other miscellaneous receipts - Fund 880	8	-	-	-	-
1858	(c) Other miscellaneous receipts - Fund 881	129	-	-	-	-
1860	Other miscellaneous receipts - local/other	1,991,068	1,271,171	1,749,384	1,793,312	2,030,010
1860	(a) Other miscellaneous receipts - local/other - Lottery Fund 657	271,627	2,837,258	-	74,350	55
1860	(c) Other miscellaneous receipts - local/other - Fund 880	7,261	-	30	-	-
1860	(c) Other miscellaneous receipts - local/other - Fund 881	80	-	-	-	-
1862	Fees for copying public records	195,672	181,177	515,415	496,751	416,138
1862	(a) Fees for copying public records - Lottery Fund 657	141	257	173	473	85
1866	Federal share of grantee sales	99,370	238,952	232,667	100,649	326,931
1868	Receivable overpayment - federal	-	31	130	356	-
1870	Receivable overpayment - state	43,338	42,606	3,159	6,506	673
1872	Receivable overpayment - local	9	33	127	169	-
6001	(j) Supply sales	12,043	-	-	18	24,426
6002	(j) Open records fees	13,822	6,492	9,389	9,221	17,818
6003	(j) Fleet services operations/maintenance	962,764	933,189	998,046	991,562	1,115,253
6005	(j) Fleet services replacement	437,036	541,945	2,171,486	699,191	942,733
6006	(j) Criminal records check fees	-	-	1,035,216	2,081,767	1,955,861
6007	(j) Mail/freight services	686,679	600,956	567,986	613,666	479,607
6009	(j) Telephone billing	36,047,039	33,408,199	32,136,693	30,453,762	28,357,604
6011	(j) Printing service	6,791,086	5,829,079	5,954,992	5,994,738	5,818,290
6013	(j) Reimbursement/recovery cost	17,576,615	13,965,380	22,719,299	23,900,839	27,763,425
6013	(c) Reimbursement/recovery cost Fund 881	-	-	-	-	87,391
6015	(j) Leased facility	2,434,435	3,563,491	3,453,059	3,681,193	3,581,126
6017	(j) Sale of material, supplies, and services	1,367,801	1,024,985	1,136,437	991,081	960,872

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,				
		2002	2003	2004	2005	2006
6019	(j) Training	1,339,632	957,246	1,129,212	1,104,409	1,101,498
6021	(j) Computer services	23,894,805	26,125,428	23,342,866	24,494,010	23,672,220
6023	(j) Administration services	3,505,263	1,311,389	1,069,786	1,414,446	1,208,365
6025	(j) Flight operations services	457,041	373,308	463,883	397,374	303,007
6027	(j) Sale of manufactured products	18,684,997	25,388,280	22,003,644	21,069,582	20,575,593
6029	(j) Interagency receipts	22,948,344	20,853,813	17,651,535	19,048,175	20,626,666
6029	(c) Interagency receipts - Fund 851	-	-	457	-	-
6029	(c) Interagency receipts - Fund 880	1,707,624	950,619	1,096,663	1,058,766	-
6029	(c) Interagency receipts - Fund 881	137,312	258,321	105,950	531,142	329,256
6030	(j) Sampling &/or Analysis	-	-	24,130	34,774	21,999
6031	(s) Redeposit of state funds	7,011,492	49,253	3,241	31,440	30,969
6032	(j) Deposit of unclaimed property	185	3,722	312	-	250
6033	(j) Permits	83,014	72,596	52,670	58,025	50,518
6034	(j) Registration fees	15,516	24,885	23,784	36,100	59,786
6035	(j) Taxes	16	173,958	2,283,087	1,541,530	1,360,109
6036	(j) Transcript fees	-	-	3,937	6,848	5,205
	Total revenues	18,127,966,208	18,347,052,703	18,893,988,141	19,500,869,283	20,919,973,902
Fund Exclusions:						
(a)	Lottery - Fund 657	283,917,810	314,375,910	366,665,541	346,342,752	417,948,583
(b)	Alternative Care Trust Fund - Fund 905	11,135,772	11,266,877	11,036,562	10,340,974	10,838,475
(c)	Student Loan Funds 626, 851, 880, and 881	66,994,069	62,706,745	59,419,847	73,575,547	92,223,091
(d)	Pansy-Johnson-Travis Memorial State Gardens Trust - Fund 963	1,918	1,760	1,652	6,507	2,030
Revenue Source Exclusions:						
(e)	Federal funds	6,137,150,379	6,669,855,197	6,867,222,534	7,289,320,981	7,412,473,472
(f)	Proposition C sales and use tax/interest	709,382,490	704,112,027	732,649,103	757,578,980	781,199,192
(g)	Proposition A gas tax and license fee increases	170,708,961	173,084,326	178,223,865	182,053,225	175,587,964
(h)	Bond sales	413,049,331	398,337,310	262,829,539	3	370,196,052
(i)	Refunds	206,448,980	232,468,478	270,314,372	347,736,051	428,129,456
(j)	Interagency sales and receipts	137,258,133	135,158,341	138,231,448	138,622,309	140,002,232
(k)	Soil and water sales and use tax/interest	37,065,716	36,493,236	37,776,751	39,133,900	40,614,148
(l)	Parks sales and use tax/interest	36,709,317	36,215,514	37,557,571	38,773,670	39,886,973
(m)	Redeposit of investment principal	1,334,300	751,921	1,850,020	1,267,000	2,820,075
(n)	Outlawed checks	6,490,071	5,369,639	9,391,724	7,329,715	6,015,970
(o)	Redeposit of loan principal	85,653,860	36,197,102	102,229,254	67,167,370	45,037,273
(p)	Amendment 8 motor fuel tax to local governments (See item dd below)	146,965,204	149,130,374	153,771,103	157,079,820	-
(q)	Bingo	3,414,691	3,352,994	2,996,554	2,798,154	2,578,717
(r)	Riverboat gambling	266,285,860	285,567,097	304,335,470	324,937,164	342,122,934
(s)	Redeposit of state funds	7,011,492	49,253	3,241	31,440	30,969
(t)	Loan proceeds	20,150,508	24,244,308	10,268,507	8,688,830	1,787,376
(u)	Conservation sales and use tax/interest	91,111,528	90,324,585	93,853,662	97,001,184	99,840,948
(v)	State employee expense account reimbursement	52,957	20,118	23,669	37,760	38,964
(w)	Recovery costs	187,032,686	181,232,299	163,653,275	158,226,200	147,510,945
(x)	Cost reimbursements	130,286,367	159,290,863	156,150,526	134,894,125	145,757,334
(y)	Canceled checks	828,552	5,509,977	4,151,727	5,801,505	4,218,841
(z)	Local match	1,494,703	925,923	2,147,704	3,942,050	4,235,868
(aa)	Proceeds of surplus property sales (Fund 710)	1,179,903	787,350	1,088,245	1,374,300	746,426
(bb)	Intergovernmental transfer program	366,225,540	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
(dd)	Constitutional amendment No.3	-	-	-	-	385,172,035
	CMIA Interest payment to the federal government	1,883,460	881,304	726,910	420,661	1,223,951
	Agency remitted sales tax	455,808	448,461	456,704	416,977	425,485

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,				
		2002	2003	2004	2005	2006
	Abandoned funds claim payments	14,090,452	13,011,897	18,739,655	19,432,004	19,462,594
	Federal Interest	-	-	643	13,523,913	16,232,810
	Coding Errors	-	-	97	-	-
	Total exclusions	9,541,770,818	9,904,254,864	10,050,554,267	10,288,163,160	11,170,564,938
	Total revenues after exclusions	8,586,195,390	8,442,797,839	8,843,433,874	9,212,706,123	9,749,408,963
	Less expenditure refunds (Exhibit C)	(1,165,035,805)	(1,252,342,575)	(1,126,226,599)	(1,127,328,402)	(1,185,513,592)
	Add refundable tax credits:					
	Pharmaceutical	63,686,262	3,764,259	524,527	142,373	1,672
	Business facility	53,267	2,881,728	23,992	-	6,026,392
	Enterprise zone	210,268	204,766	123,464	347,009	14,969,750
	BUILD	1,237,548	1,222,799	2,336,876	4,301,069	10,204,348
	Strategic initiative investment income	2,000,000	2,000,000	1,065,718	-	-
	Higher Education Scholarship Fund	-	4,532	-	-	-
	Total State Revenue	\$ 7,488,346,930	7,200,533,348	7,721,281,852	8,090,168,172	8,595,097,533

Exhibit C

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

Object Code	Description	Year Ended June 30,				
		2002	2003	2004	2005	2006
	SAM II Expenditure Refunds:					
3200	Bond refunds	\$ 2,362,690	2,134,818	2,290,607	3,214,409	3,174,790
3206	Deposit and escrow refunds	39,506	30,245	127,838	98,848	82,239
3209	Tax Increment Financing	300	-	-	-	-
3212	Federal Share Grantee Salary refunds	-	-	-	836	-
3213	Tax credit debt offset	-	-	-	-	192,267
3215	Debt offset refunds	6,503,824	9,013,469	6,582,994	6,269,213	7,196,032
3218	Motor vehicle license fee refunds	1,266,043	822,388	1,137,842	1,401,820	1,528,907
3221	Driver's license fee refunds	95,060	81,611	77,982	78,359	76,197
3227	License and permit fee refunds	145,279	133,055	84,732	160,866	187,184
3230	Registration fee refunds	48,932	32,881	7,622	16,984	13,786
3233	Regulatory fee refunds	40,860	58,540	45,944	237,543	16,421
3236	Inspection fee refunds	39,997	41,255	40,532	40,125	46,058
3239	Miscellaneous fee refunds	289,610	227,735	294,700	594,262	386,883
3242	Sales refunds	11,447	23,452	27,829	9,887	36,158
3245	Lease and rentals refunds	1,181	831	1,858	2,847	5,226
3248	Medical services refunds	444,748	1,754,840	1,876,972	2,571,969	2,855,085
3251	Contributions refunds	2,084	-	-	104,883	50
3254	Federal refunds	113,100	108,307	529,557	1,101,919	1,600,014
3257	Penalty and court award refunds	2,717	11,281	38,456	168,547	26,054
3260	Interagency billing refunds	-	-	150	-	-
3261	Receivable overpayment refunds	31,424	23,058	141,205	10,962	46,188
3266	Missouri consolidated check off refunds	124,171	134,732	124,184	165,968	200,356
3267	Deferred revenue refunds	2,098,000	3,191,677	1,753,349	1,092,357	3,463,708
3269	Other refunds	2,812,240	43,296,930	1,778,662	1,708,679	903,385
3272	Sales and use tax protested refunds	10,713,486	114,220	391,490	37,141	156,832
3281	County foreign insurance tax refunds	9,730,261	38,961,200	24,125,058	15,863,307	14,468,499
3287	Worker's compensation insurance tax refunds	526,203	339,757	1,685,755	392,963	150,375
3290	Worker's compensation second injury insurance tax refunds	700,725	505,253	9,944	9,732	-
3293	Cigarette tax refunds	362,140	39,043	141,494	83,251	44,675
3296	Tobacco products tax refunds	1,066	1,031	9,302	100	3,819
3299	Aviation fuel tax refunds	157,965	57,536	52,827	68,327	25,172
3305	Special fuel (non-gas) tax refunds	24,090,962	24,444,448	25,536,357	30,388,502	29,996,843
3308	Fuel tax refunds	9,416,120	9,620,045	9,611,080	9,765,264	9,522,282
3311	Sales Tax refunds	35	164	5	44	48
3314	Food tax exemption refund	647	-	85,626	-	-
3317	General sales and use tax refunds	55,499,871	61,234,948	59,927,094	44,966,016	31,494,255
3326	Motor vehicle sales tax refunds	4,484,684	4,519,185	4,721,452	4,291,710	4,179,140
3329	Motor vehicle use tax refunds	900,698	868,913	961,458	1,002,748	983,801
3335	Boat tax refunds	7,879	5,436	6,645	7,257	6,720
3338	Individual tax refunds	705,921,126	771,972,675	763,201,964	752,279,117	773,108,237
3341	Senior citizens tax refunds	85,901,461	97,180,379	95,237,087	99,101,427	96,090,703
3342	Pharmaceutical tax refunds	63,686,262	3,737,102	524,527	496,516	1,672
3344	Corporation tax refunds	159,407,259	171,098,592	116,499,019	144,879,893	195,549,284
3347	Franchise tax refunds	14,133,414	3,467,003	460,301	691,213	6,435,586
3350	Inheritance tax refunds	2,845,993	3,054,540	5,458,449	2,816,253	930,022
3356	Other tax refunds	74,335	-	616,650	1,136,338	328,639
	Total SAM II Expenditure Refunds	\$ 1,165,035,805	1,252,342,575	1,126,226,599	1,127,328,402	1,185,513,592

## 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.

### **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.

### **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.

### **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 \$133,078,222 received from tobacco companies during fiscal year 2006. 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 2005 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

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 2006, the OA-BP calculated these limits at \$81 million for the Missouri Personal Income amount and \$77.2 million for the one percent of total state revenues amount.

For fiscal year 2006, the OA-BP has determined the net tax and fee increases as a result of legislative actions totaled (\$22.1) million, which were less than the limits noted above. 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).