



Susan Montee, JD, CPA
Missouri State Auditor

ADMINISTRATION

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

Year Ended June 30, 2008

April 2009
Report No. 2009-35



auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

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

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, 2008.

Total state revenue was calculated at \$9.6 billion, while the refund threshold was calculated at \$11 billion, which means state revenue was under the revenue limit by \$1.4 billion for the year ended June 30, 2008.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

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

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
EXECUTIVE SUMMARY	4-8
EXHIBITS:	9-20
<u>Exhibit</u>	<u>Description</u>
A	Summary of Total State Revenue and Refund Calculations, Five Years Ended June 30, 200810
B	Schedule of Total State Revenues, Five Years Ended June 30, 2008 11-19
C	Schedule of Expenditure Refunds, Five Years Ended June 30, 200820
BACKGROUND, METHODOLOGY, AND CONCLUSIONS.....	21-31
APPENDIX.....	32-36
Appendix	Article X, Sections 16 through 24, Constitution of Missouri (Adopted November 4, 1980, Amended April 2, 1996)..... 33-36

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Kelvin L. Simmons, Commissioner
Office of Administration
Jefferson City, MO

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2008, 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 2007. 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, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: John Luetkemeyer, CPA
Audit Manager: Randall Gordon, M.Acct., CPA, CGAP
Audit Manager: Jeffrey Thelen, CPA

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, 2008, 2007, 2006, 2005, and 2004. The results of our review determined that for the year ended June 30, 2008, TSR was approximately \$1.35 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2008.

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.

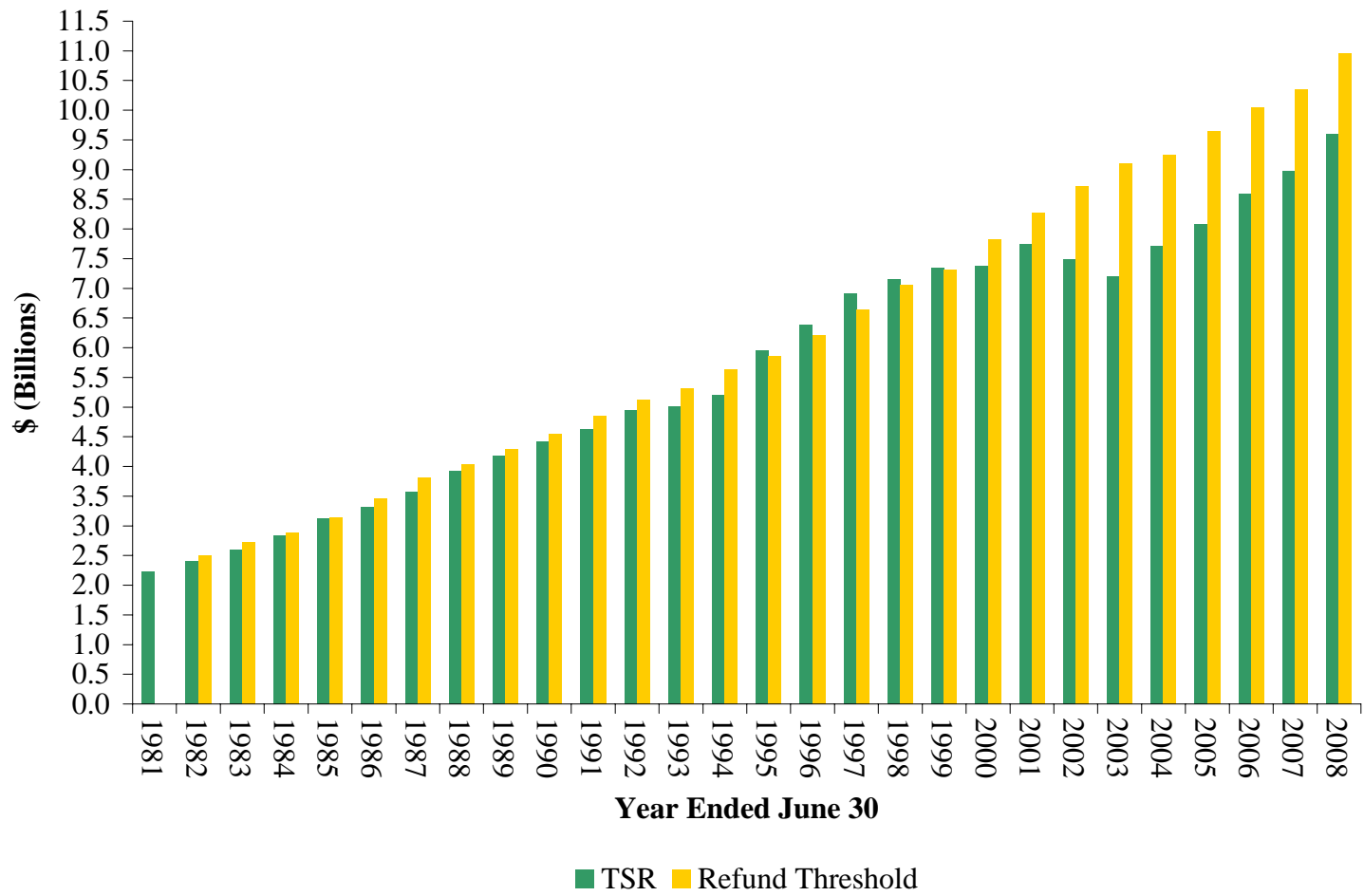
This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately \$6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 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,				
	2004	2005	2006	2007	2008
TOTAL STATE REVENUE (TSR)					
Total state receipts	\$ 18,893.99	19,500.87	20,919.97	21,928.92	22,939.03
Less excluded revenue	(10,050.55)	(10,288.16)	(11,170.56)	(11,675.58)	(12,021.91)
Less expenditure refunds	(1,126.23)	(1,127.33)	(1,185.51)	(1,272.91)	(1,321.37)
Add refundable tax credits	4.07	4.79	31.20	5.08	2.75
TSR	\$ 7,721.28	8,090.17	8,595.10	8,985.51	9,598.50
REVENUE LIMIT AND REFUND THRESHOLD					
Missouri personal income	\$ 161,648.00	168,512.00	175,524.00	181,066.00	191,413.00
Base year ratio	x 0.056395	0.056395	0.056395	0.056395	0.056395
Base limit	9,116.14	9,503.23	9,898.68	10,211.22	10,794.74
Judicial article amendment	44.28	45.81	45.81	47.64	49.06
Revenue limit	9,160.42	9,549.04	9,944.49	10,258.86	10,843.80
1 percent adjustment	91.60	95.49	99.44	102.59	108.44
Refund threshold	\$ 9,252.02	9,644.53	10,043.93	10,361.45	10,952.24
REFUND CALCULATION					
TSR	\$ 7,721.28	8,090.17	8,595.10	8,985.51	9,598.50
Less refund threshold	9,252.02	9,644.53	10,043.93	10,361.45	10,952.24
Over (Under) Threshold	(1,530.74)	(1,554.36)	(1,448.83)	(1,375.94)	(1,353.74)
1 percent adjustment	0.00	0.00	0.00	0.00	0.00
Refund	\$ 0.00	0.00	0.00	0.00	0.00

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,				
		2004	2005	2006	2007	2008
1001	Sales and use tax	\$ 1,821,777,954	1,887,769,667	1,957,288,809	2,035,863,087	2,029,365,907
1003	(l) Parks sales and use tax	37,391,971	38,608,924	39,628,892	41,334,134	41,177,179
1005	(k) Soil and water sales and use tax	37,394,824	38,608,927	39,632,549	41,334,138	41,177,637
1007	General revenue reimbursements - local sales and use tax	1,952,122	1,850,561	1,874,991	1,869,288	1,836,920
1009	Motor vehicle sales tax	215,078,975	210,749,553	73,944,788	63,299,893	29,084,872
1009	(dd) Motor vehicle sales tax - Amendment 3	-	-	106,679,065	166,565,679	171,801,305
1011	(u) Conservation sales and use tax	93,488,139	96,524,659	99,069,219	103,332,575	102,945,079
1013	(f) Proposition C sales and use tax	731,735,057	756,380,208	778,913,723	815,417,913	807,214,841
1015	Sales and use taxes paid under protest	6,034,772	925,453	154,942	133,448	679,617
1016	Suspense holding	-	-	-	-	(1)
1022	Individual income tax	4,579,484,729	4,866,347,540	5,360,652,738	5,736,714,734	6,118,983,440
1024	Individual income taxes paid under protest	55,591	121,038	27,095	78,291	107,119
1026	Corporate income tax	329,596,001	354,390,367	528,814,068	553,946,111	520,955,635
1028	Corporate income taxes paid under protest	-	-	27,012	2,311	22,040
1033	County foreign insurance tax	162,129,552	165,480,625	189,702,198	199,210,713	209,554,552
1037	Worker's compensation insurance tax	45,780,130	23,532,434	2,070,359	6,289,512	13,945,412
1039	Worker's compensation insurance tax - second injury	73,637,324	73,796,417	69,529,997	64,288,526	60,287,228
1041	Excess lines of insurance tax	23,300,865	24,929,980	22,028,985	25,158,519	25,699,706
1049	Heavy beer tax	8,287,133	8,127,177	8,368,270	8,380,561	8,436,959
1051	Light beer tax	43,970	44,632	41,247	31,303	33,457
1053	Liquor tax	15,792,060	16,159,921	16,848,358	18,421,990	18,045,107
1055	Wine tax	3,902,201	3,975,042	4,286,145	4,496,356	4,657,885
1057	Cigarette tax	98,815,335	99,247,687	99,873,124	96,959,034	97,150,389
1059	Tobacco product tax	10,837,459	11,035,093	11,448,194	11,917,483	12,214,822
1060	Motor vehicle fuel tax	407,048,241	415,205,844	415,115,603	412,792,165	410,494,152
1060	(g) Motor vehicle fuel tax	173,258,962	176,987,003	175,587,964	175,375,774	175,543,409
1060	(p) Motor vehicle fuel tax	153,771,103	157,079,820	-	-	-
1060	(dd) Motor vehicle fuel tax - Amendment 3	-	-	155,838,142	155,649,820	155,798,599
1062	Special fuel non-gas tax	1,829,636	2,118,492	1,240,891	1,312,257	3,331,931
1062	(dd) Special fuel non-gas tax - Amendment 3	-	-	106,978	92,863	115,290
1064	Aviation fuel tax	409,621	405,276	353,686	336,589	343,894
1070	Corporation franchise tax	91,387,675	119,446,502	77,827,368	77,788,371	92,508,381
1073	Estate tax	75,115,067	42,221,932	15,569,883	5,971,861	3,451,099
1074	(q) Bingo tax	2,909,716	2,703,789	2,472,633	2,282,012	2,154,878
1076	(r) Gaming commission gross receipts tax	251,587,273	270,532,391	286,934,255	286,393,286	293,171,757
1080	Real and personal property tax	19,450,597	19,737,535	22,825,969	23,605,723	25,689,796
1082	Delinquent real and personal property tax	3,312,254	3,499,542	2,281,634	2,791,494	3,280,619
1084	Hazardous waste fees	3,367,830	3,100,982	1,287,666	1,860,180	1,713,325
1085	Managed care organization reimbursement allowance	-	-	17,174,996	-	-
1086	Miscellaneous taxes paid under protest	-	-	-	9,537	-
1088	Nursing facility reimbursement allowance	9,833,951	13,116,650	11,810,655	12,161,891	12,831,315
1089	Pharmacy reimbursement allowance	17,131,990	18,995,336	15,079,728	8,915,898	10,806,129
1090	Federal reimbursement allowance	15,134,996	33,782,892	17,142,839	8,700,416	11,284,451
1093	Athletic events tax	95,742	180,817	86,504	174,484	120,933
1095	Surcharges	766,956	1,566,759	8,261,197	14,141,291	396,680
1097	Agency collected sales taxes	435,451	386,577	374,927	407,964	352,093
1099	Other taxes	90,237	109,316	88,684	76,928	83,118
1100	Professional licenses or permits	26,304,410	23,938,936	26,330,221	23,446,674	21,312,199
1102	Recreational licenses or permits	4,435,398	4,656,292	4,313,421	4,572,038	4,547,798
1104	All-terrain vehicle licenses or permits	118	362	1,029	2,044	326
1106	Motor vehicle licenses or permits	174,810,579	180,565,635	104,739,988	78,597,030	126,655,951
1106	(dd) Motor vehicle licenses or permits - Amendment 3	-	-	81,033,917	81,093,455	55,960,916

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,				
		2004	2005	2006	2007	2008
1108	Interstate transportation licenses or permits	56,525,164	59,110,421	50,934,127	49,638,906	49,744,434
1108	(g) Interstate transportation licenses or permits	4,964,903	5,066,222	-	-	-
1108	(dd) Interstate transportation licenses or permits - Amendment 3	-	-	24,600,544	22,381,807	21,632,031
1110	Driver's licenses or permits	16,559,810	17,088,649	7,938,652	7,524,695	6,839,329
1110	(dd) Driver's licenses or permits - Amendment 3	-	-	9,609,103	9,467,142	8,718,336
1112	Land reclamation commission permits	536,854	535,465	567,114	541,457	674,024
1114	Salesman licenses or permits	225,190	252,940	254,160	247,560	186,320
1116	Vehicle and boat manufacturer and dealer licenses	973,838	976,181	992,413	980,078	977,540
1118	Liquor licenses or permits	3,877,954	3,986,540	4,118,092	4,180,895	4,764,537
1120	Gaming commission licenses	1,873,125	1,777,891	1,441,184	1,728,790	1,712,730
1122	Beer licenses or permits	8,849	7,472	6,861	18,545	6,117
1124	Motor carrier licenses	2,516,988	2,611,895	2,292,089	2,073,834	94,593
1126	Hunting and fishing licenses and commission permits	29,224,056	29,295,503	28,285,286	29,535,358	29,390,276
1127	Hunting and fishing special tags	1,126,188	1,134,412	1,186,138	1,161,514	1,154,059
1128	Hazardous waste transporter licenses	286,091	338,746	164,379	376,836	303,265
1130	Water pollution control permits	4,318,335	4,377,961	4,542,878	5,033,755	4,509,288
1132	Overdimension/overweight permits	4,913,789	5,286,025	2,568	3,892	-
1132	(dd) Overdimension/overweight permits - Amendment 3	-	-	5,615,174	6,620,053	8,155,732
1134	Merchant licenses	1,044,668	1,178,706	1,132,984	1,267,445	1,196,319
1136	Tobacco licenses	25,300	24,100	25,900	27,000	25,910
1138	Temporary licenses	742	755	307	125	500
1140	Duplicate plates	1,865	2,201	17,836	23,936	26,353
1149	Other licenses and permits	3,703,824	5,356,182	3,364,580	3,152,349	3,457,744
1149	(dd) Other licenses and permits - Amendment 3	-	-	1,578,504	1,753,449	2,746,279
1150	Lobbyist registration fees	1,340	1,970	2,961	13,510	12,190
1152	Motorboat fees	6,812,398	7,852,101	6,970,789	10,266,665	9,600,457
1154	Narcotics and dangerous drugs fees	805,479	620,506	999,794	778,581	714,987
1156	Occupational boards exam fees - individual exam fees	879,392	969,081	594,716	616,843	644,623
1160	Non-motor fuel decal fees	115,455	100,966	-	-	-
1160	(dd) Non-motor fuel decal fees - Amendment 3	-	-	110,608	83,977	74,587
1162	Filing fees	20,980,420	19,927,361	19,517,988	19,269,826	19,875,870
1163	Certifying/authenticating fees	726,665	192,184	64,251	49,425	43,727
1164	Transfer fees	21,547	27,014	30,365	27,690	26,328
1165	Service contract registration fee	-	-	-	62,500	73,250
1169	Other registration fees	7,213,300	7,542,362	7,343,546	7,832,821	8,610,985
1174	Asbestos fees	247,992	276,147	286,911	238,255	254,582
1178	Milk control fees	100,087	64,066	63,193	43,058	62,986
1180	Home health care license fees	121,350	117,750	112,800	129,100	115,450
1182	Nursing home license fees	135,174	132,404	164,447	128,726	129,076
1184	Title V emissions fees	8,663,826	8,250,446	8,531,692	8,638,247	9,928,734
1185	Emission fees/non Title V facilities	368,492	344,704	382,437	356,012	414,460
1186	Boarding home license fees	712,583	724,251	718,914	715,186	719,196
1188	Public utilities fees	19,990,103	19,261,361	18,355,749	20,190,954	20,929,841
1190	Hospital license fees	86,032	83,647	85,704	85,398	80,140
1192	Grain warehouse license fees	33,964	34,161	32,246	34,159	35,493
1194	Missouri primacy fees	2,639,033	2,794,025	2,560,720	3,558,666	4,430,383
1196	Underground storage tank annual participation fees	597,671	-	-	-	-
1198	Transport load fees	23,904,017	23,665,383	23,389,711	23,634,784	23,608,574
1200	Storage tank registration fees	215,545	224,440	259,296	70,850	43,420

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,				
		2004	2005	2006	2007	2008
1202	Tourist cabin permit fees	195,510	46,881	186,847	183,255	190,413
1206	Solid waste disposal fees	11,012,418	11,473,573	11,855,266	12,735,973	12,708,281
1208	New tire fees	1,623,688	27,332	953,815	2,104,673	2,193,715
1209	Battery fee	-	-	288,524	722,637	770,341
1210	Ground water protection fees	543,966	623,233	666,068	618,151	582,549
1214	Insurance regulatory fees, renewals and purchasing groups	1,787,206	1,718,125	2,451,504	1,425,228	2,323,828
1216	Air conservation commission permit fees	472,619	449,690	349,094	299,163	536,063
1218	Bingo license fees	62,277	67,275	52,570	49,030	48,790
1220	Lab fees	2,461,317	2,424,212	4,432,911	4,639,903	4,345,438
1222	Program administration fees	726,810	713,491	731,723	785,700	958,714
1223	Confined animal feed operation indemnity fees	64,619	37,731	41,953	29,517	9,176
1224	Railroad assessments	654,101	971,729	499,106	863,313	817,934
1227	Enhanced vehicle emission inspection fees	1,706,183	1,738,699	1,685,333	1,688,837	1,879,945
1233	Grain warehouse inspection fees	1,573,755	1,741,117	1,529,055	1,508,603	1,868,115
1235	Milk inspection fees	1,383,077	1,379,483	1,196,302	1,073,188	1,298,899
1237	Ice cream products inspection fees	27,280	31,700	31,360	33,060	31,560
1239	Mine inspection fees	75,953	66,982	88,502	72,498	66,054
1241	Mobile home and recreational vehicle inspection fees	654,744	745,037	823,258	848,302	692,098
1243	Oil inspection fees	2,567,947	2,557,810	2,543,426	2,527,235	2,529,258
1249	Other inspection fees	1,302,603	1,370,310	1,503,392	1,436,877	1,669,840
1250	Collection fees	18,813,734	19,775,880	21,095,935	22,675,134	23,608,199
1252	Admission fees	1,292,168	1,341,952	1,108,448	1,326,303	1,163,583
1252 (r)	Admission fees - riverboat gambling	52,561,952	54,146,991	54,679,803	50,902,479	50,443,830
1254	State auditor fees	840,199	1,071,601	1,231,909	1,013,252	539,400
1260	Grade crossing safety fees	1,215,990	1,250,036	1,491,051	1,548,723	1,252,031
1262	Loan administration fees	3,145,252	3,810,458	4,274,803	5,163,127	5,521,764
1262 (c)	Loan administration fees - Fund 881	-	-	1,895	5,537,769	6,725,473
1264	Court fees	20,538,094	21,604,235	22,925,711	23,032,841	37,470,842
1266	Financial institutions examination fees	6,990,259	7,209,189	7,924,104	7,911,716	7,909,159
1268	Consumer finance license fees	875,325	986,550	1,005,300	1,053,225	1,208,234
1270	Transcript fees	147,137	139,175	143,371	123,751	147,615
1272	Land survey fees	-	(1,300)	-	-	-
1274	Marketing development fees	181,565	212,008	309,413	46,619	33,821
1276	Miscellaneous insurance fees	669,215	601,590	514,125	500,230	223,250
1278	Gaming commission administrative income	3,648	1,011	933	195	42
1279 (a)	Lottery commission fees	290,689	387,762	337,854	320,659	310,335
1280	Motor vehicle inspection sticker fees	4,457,993	4,533,806	4,466,495	4,569,287	4,528,447
1282	Logo sign advertising fees	3,805,960	4,161,752	4,608,913	5,287,240	5,650,254
1284	Public defender fees	1,456,724	1,455,500	1,771,541	1,732,334	1,838,506
1286	Witness fees	8,060	6,961	6,162	12,598	7,315
1288	County recorders fees	11,038,590	9,404,215	9,501,397	8,941,272	7,956,681
1290	Training or conference fees	40,537	45,410	96,483	150,108	199,278
1294	Electronic monitoring fee	1,634,176	1,640,776	1,626,475	1,299,497	758,683
1298	Substance abuse offender program fees	3,642,414	3,872,787	3,946,177	3,966,623	4,044,125
1302	Criminal records check fees	4,116,455	5,669,234	6,733,119	6,958,215	9,092,462
1303	Other fees	6,526,807	7,025,043	11,724,083	23,408,294	25,639,072
1305 (h)	Bond sales proceeds	262,829,539	3	370,196,052	829,993,881	591,204,336
1310	Land sales	4,755,543	5,512,710	5,001,965	3,836,054	4,796,703
1312	Sales of natural resources products	2,878,772	3,524,846	3,836,475	4,418,501	4,104,935

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,				
		2004	2005	2006	2007	2008
1314	Sales of agriculture products	1,667,391	1,750,295	1,852,115	1,711,914	1,718,766
1316	Manufactured product sales	8,276,056	7,799,864	7,892,157	8,333,588	9,267,484
1318	Information sales	3,343,120	3,237,949	3,283,582	3,273,720	3,108,519
1320	Souvenir sales	617,851	626,113	595,639	566,016	484,982
1322	Surplus property sales - state	2,345,583	1,626,659	1,522,369	3,030,067	1,838,028
1322 (a)	Surplus property sales - state - Fund 657	-	-	10,000	-	-
1322 (aa)	Surplus property sales - state - Fund 710	1,088,245	1,374,300	746,426	1,038,204	2,406,296
1324	Surplus property sales - federal	2,037,258	2,281,737	2,903,435	2,761,749	3,227,475
1326	Unclaimed property sales	350	-	-	-	-
1328	Sales of fixed assets - control	6,405,790	6,740,642	9,052,606	27,501,823	8,610,355
1330	Vital records sales	1,200,507	1,436,055	1,867,182	1,714,728	1,623,663
1332 (a)	Lottery ticket sales	366,115,206	345,575,845	416,691,040	405,909,024	426,619,333
1334	Cafeteria sales	720,508	613,530	654,178	678,666	810,586
1338	Other sales	618,051	238,143	223,093	161,139	301,386
1338 (a)	Other sales - Fund 657	-	643	-	-	-
1342	Supply sales	637	618	342	-	252
1401	Land rentals/leases	1,066	1,066	56,052	802	802
1403	State facilities rentals/leases	915,819	703,612	762,715	764,022	883,696
1404	Parking rentals/leases	75,793	68,872	72,349	67,046	57,527
1405	Concessions and recreational rentals/leases	2,093,605	2,310,330	2,292,138	2,265,352	2,118,733
1407	Housing/building rentals/leases	271,249	255,272	267,281	483,807	490,125
1409	Other leases and rentals	1,161,489	842,244	820,430	1,155,026	859,985
1414 (e)	Medicare	7,891,969	13,104,191	11,840,541	14,355,763	15,286,228
1418 (e)	Medicaid	116,247,130	113,767,474	104,129,943	94,774,725	91,248,819
1420 (e)	Medicaid - community based	29,086,883	46,154,590	114,403,516	116,805,982	127,076,851
1422	Private payments	7,643,629	7,484,711	7,172,906	6,705,792	6,404,747
1424	Insurance payments	2,483,663	2,183,788	2,627,062	2,053,140	1,955,642
1426	Other payments	164,919	82,499	223,016	6,913	23,242
1434	Institutional support fees	171,780	29,525	73,761	98,527	32,466
1436	Room and care	20,559,387	23,390,722	25,408,983	26,844,689	28,463,349
1438	Fleet services operations/maintenance	-	-	395	-	-
1442	Mail/freight services	2,555	1,686	1,798	581	-
1444	Telephone billing	698	-	-	-	-
1446	Printing service	99,901	112,719	156,303	166,681	189,891
1448	Computer services	1,673	3,699	4,279	3,897	3,739
1450	Administration services	3,025	-	-	45	-
1501	Private donations	3,494,597	3,038,212	2,132,328	2,944,164	4,957,335
1502	Other governmental entity donations	29,000	6,458	35,470	-	232,942,595
1504	Donated assets-state agencies	-	-	-	-	268,140
1507 (e)	NASAO (airport inspections)	-	-	5,500	16,500	29,603
1510 (e)	US Department of Agriculture	315,309,213	324,208,864	341,963,232	349,407,388	381,641,506
1512 (e)	US Department of Defense	2,556,350	3,139,604	4,780,027	3,893,101	4,060,015
1513 (e)	US Department of Homeland Security	-	-	-	1,252,634	682,977
1514 (e)	US Department of Housing and Urban Development	39,383,092	38,264,807	34,944,621	34,535,980	31,411,897
1516 (e)	US Department of Interior	18,635,222	20,010,553	26,236,848	27,365,634	20,279,925
1518 (e)	US Department of Justice	23,534,299	45,439,686	67,710,357	70,533,811	69,045,688
1520 (e)	US Department of Labor	73,958,806	75,173,714	80,155,791	74,373,262	68,105,755
1522 (e)	US Department of Education	567,929,279	607,650,375	655,561,523	638,057,083	645,983,360
1522 (c)	US Department of Education - Fund 880	7,008,260	6,777,654	7,753,744	7,878,432	8,583,560
1522 (c)	US Department of Education - Fund 881	21,146,522	42,401,412	54,653,829	54,336,871	68,627,016
1524 (e)	US Department of Transportation	727,496,377	832,914,720	827,044,903	894,887,794	966,375,333
1526 (e)	National Foundation for the Arts and Humanities	3,693,442	3,118,665	3,928,489	4,255,569	3,997,117

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,				
			2004	2005	2006	2007	2008
1528	(e)	US Veterans Administration	28,976,671	26,333,616	28,181,524	30,818,955	33,325,810
1529	(e)	US General Services Administration	-	6,577	7,113	-	-
1530	(e)	US Environmental Protection Agency	92,846,554	65,371,097	67,603,444	83,034,587	77,554,953
1532	(e)	US Department of Energy	6,657,746	7,971,473	7,526,734	5,956,480	7,199,609
1534	(e)	Federal Emergency Management Agency	30,750,178	15,694,217	8,273,328	56,826,554	100,158,631
1536	(e)	US Department of Health and Human Services	4,400,831,476	4,940,907,333	4,905,437,144	4,852,243,251	5,173,517,451
1538	(e)	National and Community Services	8,722	3,607	1,115	-	-
1540	(e)	US Social Security Administration	35,120,494	32,955,548	32,848,371	29,882,066	31,986,280
1542	(e)	National Archives and Records	2,000	104,549	-	-	2,847
1544	(e)	Elections Assistance Commission	44,914,650	-	-	-	-
1546	(e)	US Department of Treasury	95,183,169	-	-	7,217	14,131
1549	(e)	Miscellaneous federal revenues	170,523,112	32,039,098	37,287,497	36,183,522	39,257,277
1551		County mental health programs	7,915,368	8,823,579	9,989,505	13,875,319	14,145,722
1560	(e)	Federal pass-through grants	32,910,930	38,100,579	47,538,058	34,258,934	25,400,556
1601		Time deposits interest	3,746,600	5,893,485	12,895,202	23,996,538	29,926,290
1601	(f)	Time deposits interest - Fund 688	97,299	157,407	411,767	612,653	641,067
1601	(a)	Time deposits interest - Fund 657	23,981	36,639	159,048	242,536	273,873
1601	(k)	Time deposits interest - Fund 614	41,312	71,316	186,636	292,342	358,018
1601	(l)	Time deposits interest - Fund 613	17,757	21,759	47,803	75,523	72,808
1601	(b)	Time deposits interest - Fund 905	5,937	10,028	26,020	42,128	48,307
1601	(q)	Time deposits interest - Fund 289	9,344	12,525	20,526	18,977	8,238
1601	(r)	Time deposits interest - Fund 285	19,958	34,523	92,255	136,919	148,375
1601	(d)	Time deposits interest - Fund 963	37	73	203	328	381
1601	(u)	Time deposits interest - Fund 609	39,631	64,275	146,264	173,506	249,889
1601	(c)	Time deposits interest - Fund 851	3,157	2,333	692	4	-
1601	(c)	Time deposits interest - Fund 880	23,770	50,877	125,596	136,386	254,027
1601	(c)	Time deposits interest - Fund 881	39,279	42,233	94,280	256,202	283,429
1603		U.S./agency securities interest	43,022,691	49,506,581	92,567,456	136,046,244	165,547,425
1603	(f)	U.S./agency securities interest - Fund 688	816,747	1,041,365	1,873,702	2,360,935	2,378,829
1603	(a)	U.S./agency securities interest - Fund 657	200,741	236,997	683,862	790,655	885,649
1603	(k)	U.S./agency securities interest - Fund 614	340,616	453,657	794,963	978,599	1,168,927
1603	(l)	U.S./agency securities interest - Fund 613	147,844	142,987	210,279	270,821	252,923
1603	(b)	U.S./agency securities interest - Fund 905	48,999	64,582	109,873	138,138	156,670
1603	(q)	U.S./agency securities interest - Fund 289	77,495	81,826	85,557	61,420	26,900
1603	(r)	U.S./agency securities interest - Fund 285	166,287	223,260	416,621	491,769	513,853
1603	(d)	U.S./agency securities interest - Fund 963	1,615	1,433	1,827	2,271	2,594
1603	(u)	U.S./agency securities interest - Fund 609	325,892	412,250	625,465	599,606	821,176
1603	(c)	U.S./agency securities interest - Fund 851	26,518	15,656	2,480	13	-
1603	(c)	U.S./agency securities interest - Fund 880	193,633	324,274	525,676	444,875	813,773
1603	(c)	U.S./agency securities interest - Fund 881	326,989	277,329	399,813	838,339	908,536
1605		Other investment interest	525,665	400,000	610,000	669,229	611,213
1610		Interest on loans	1,068,022	951,381	1,020,355	1,343,034	1,105,177
1612		Interest - federal	643	13,523,913	16,232,810	11,749,631	4,213,149
1614		Interest on receivables	56,302	201,562	33,040	59,153	19,012
1616		Interest on settlements	47,983	94,709	57,276	65,220	66,588
1618		Other interest	1,071,386	29,162	58,582	53,160	157,670
1618	(c)	Other interest - Fund 880	-	-	122,516	96,985	57,651
1618	(u)	Other interest - Fund 609	-	-	-	-	431
1620		Safety responsibility	-	-	-	-	15
1621		Penalties	17,547,145	19,400,092	14,246,673	9,424,865	8,484,577
1621	(q)	Penalties - Fund 289	-	15	-	-	-
1621	(c)	Penalties - Fund 881	-	-	-	826	1,622
1624		Settlements	1,993,625	4,736,944	7,970,583	2,301,820	49,350,712
1626		Court awards	2,039,930	1,681,369	1,732,607	1,704,591	2,106,126
1628		Insufficient funds charges	10,609	7,703	7,186	4,936	5,600

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,				
		2004	2005	2006	2007	2008
1634	Estates	1,028	449	66	153	756
1636	Unclaimed properties	76,804,125	53,672,476	92,367,911	91,118,828	66,694,449
1700	(i) Salary refunds - federal	464,856	695,196	614,734	758,548	589,826
1701	(i) Salary refunds - state	79,988	40,575	48,639	35,771	25,423
1702	(i) Salary refunds - local/other	23,047	28,205	17,929	20,238	17,151
1703	(i) General relief pension refunds	2,830,777	1,186,474	121,698	70,586	16,784
1704	(i) Blind pension refunds	73,105	2,788	5,886	11,895	9,433
1706	(i) Dependent children pension refunds	376,190	367,373	356,838	356,687	290,147
1715	(i) Day care refunds	61,322	72,401	58,904	183,536	191,875
1717	(i) Medicare - Medicaid refunds	250,677,523	331,852,999	413,909,726	226,517,358	258,377,975
1719	(i) Cost in criminal cases refunds	342,290	447,889	565,968	693,320	761,476
1721	(i) Vendor refunds - federal	1,043,953	1,313,190	1,008,453	1,213,162	1,657,882
1722	(i) Vendor refunds - state	1,003,623	747,697	603,961	517,589	1,203,020
1722	(a) Vendor refunds - state - Fund 657	6,130	6,045	24,422	3,189	831
1722	(c) Vendor refunds - state - Fund 880	-	1,857	753	2,672	54,278
1722	(c) Vendor refunds - state - Fund 881	-	100	9,000	-	945,118
1723	(i) Vendor refunds - local/other	387,345	290,456	294,599	276,869	234,455
1723	(c) Vendor refunds - local/other - Fund 880	-	1,151	-	-	-
1724	(i) Political subdivision refunds	359,837	9,919	18,180	20,255	25,023
1725	(i) Excess court payment refunds	1,573,649	1,499,024	795,229	1,900,561	818,399
1727	(i) School refunds	6,048,847	5,689,555	5,314,240	4,691,784	8,222,948
1728	(i) Scholarship refunds	252,530	314,355	349,559	355,827	274,898
1728	(c) Scholarship refunds - Fund 881	216	-	-	-	-
1729	(i) Audit findings - federal	144,227	194,239	120,584	35,091	-
1730	(i) Audit findings - state	198,436	50,321	-	-	-
1731	(i) Audit findings - local/other	21,462	38,282	52,665	175,203	434,776
1732	(i) Utility refunds	12,383	9,131	13,651	18,141	17,744
1733	(i) Fuel tax refunds	325,004	300,863	227,324	150,385	151,592
1733	(a) Fuel tax refunds - Fund 657	-	-	277	-	-
1733	(c) Fuel tax refunds - Fund 880	-	3	24	-	-
1737	(i) Other refunds	4,013,975	2,585,121	3,630,689	4,433,171	5,873,148
1737	(a) Other refunds - Fund 657	-	-	-	47,344	134,433
1737	(c) Other refunds - Fund 880	322	-	-	25,211	3,503
1737	(c) Other refunds - Fund 881	8,675	-	25,710	29	-
1806	(w) Recovery costs	163,653,275	158,226,200	147,510,945	156,840,026	168,814,932
1806	(a) Recovery costs - Fund 657	667	-	-	-	-
1806	(bb) Intergovernmental transfer program	30,326,961	26,875,705	-	-	-
1808	Deposit of surplus property funds	910,773	2,040	20,640	-	-
1808	(a) Deposit of surplus property - Fund 657	20,467	-	-	-	-
1808	(c) Deposit of surplus property - Fund 880	397	-	-	-	-
1808	(c) Deposit of surplus property - Fund 881	4,350	-	-	-	-
1811	(z) Local match	2,147,704	3,942,050	4,235,868	3,010,486	3,367,687
1812	(x) Cost reimbursements - federal	281,369	481,878	854,596	859,539	528,325
1812	(c) Cost reimbursements - Fund 880	-	2,146	-	-	-
1813	(x) Cost reimbursements - state	24,503,507	20,069,835	17,379,683	32,758,124	24,793,321
1813	Cost reimbursements - state (included)	7,038,004	8,011,183	9,299,758	10,036,608	11,640,527
1813	(c) Cost reimbursements - Fund 880	-	213	247	-	465
1814	(x) Cost reimbursements - local/other	131,365,650	114,342,412	127,523,055	128,148,184	157,061,744
1814	(c) Cost reimbursements - local/other - Fund 880	-	-	6	-	-
1816	Bond account	6,676,769	7,278,870	6,375,510	6,305,705	7,677,792
1818	(v) Employee expense reimbursement - federal	112	1,756	-	405	112
1819	(v) Employee expense reimbursement - state	2,816	1,447	615	26,116	5,199

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,				
		2004	2005	2006	2007	2008
1820	(v) Employee expense reimbursement - local/other	-	969	771	583	-
1821	(v) Employee personal expense reimbursement	20,740	33,588	37,578	35,838	94,250
1821	(c) Employee personal expense reimbursement - Fund 880	-	137	88	10	3
1822	(n) Outlawed checks	9,391,724	7,329,715	6,015,970	7,228,137	5,993,548
1822	(b) Outlawed checks - Fund 905	17,439	2,620	3,850	6,102	9,348
1822	(c) Outlawed checks - Fund 881	3,184	-	-	-	-
1824	(y) Canceled checks	4,151,727	5,801,505	4,218,841	4,042,092	2,562,124
1824	(a) Canceled checks - Fund 657	38	19,368	32,995	-	-
1824	(b) Canceled checks - Fund 905	173	2,880	-	4	2,967
1824	(c) Canceled checks - Fund 880	-	-	-	109	-
1826	(m) Redeposit of investments principal	1,850,020	1,267,000	2,820,075	1,167,300	1,304,050
1826	(d) Redeposit of investments principal - Fund 963	-	5,000	-	-	-
1828	(o) Redeposit of loan principal	96,777,971	48,774,710	32,786,258	40,736,073	41,337,044
1830	Telephone commissions	2,951,377	2,220,545	2,191,590	1,004,266	819,800
1832	Commission on sales	36,385	42,918	33,051	25,670	28,177
1834	Rebates	3,248,923	3,186,878	2,657,841	346,877	927,252
1834	(a) Rebates - Fund 657	46	169	381	563	978
1834	(c) Rebates - Fund 880	-	3	26	2,224	7,112
1834	(cc) Rebates - WIC	32,459,831	33,432,384	36,203,754	38,046,323	39,542,659
1836	Housing and maintenance receipts	44,144	61,888	61,026	70,788	61,735
1838	Loan defaults	222,620	374,067	280,132	638,617	336,208
1840	(t) Loan proceeds	10,268,507	8,688,830	1,787,376	7,861,815	42,630,952
1842	(o) Loan repayment	83,583	92,404	94,639	103,409	109,797
1842	(c) Loan repayment - Fund 880	801	-	-	-	-
1842	(c) Loan repayment - Fund 881	29,430,674	22,088,262	28,090,069	49,202,530	51,746,648
1843	(o) Loans receivable contra account	5,367,701	18,300,256	12,156,376	3,227,912	3,035,032
1844	Insurance proceeds	3,148	5,295	7,089	2,448	500
1846	Capital credits/dividends	44,721	55,706	47,137	53,045	67,838
1848	Recycling receipts	76,608	130,338	135,281	181,661	301,545
1850	Forfeitures	2,437,245	2,071,385	1,989,974	1,960,425	1,803,287
1852	Overpayments	4,345,745	1,771,438	2,337,400	6,004,394	2,654,717
1856	(e) Other miscellaneous receipts - federal	2,774,771	6,886,042	5,063,853	4,861,403	7,979,360
1858	Other miscellaneous receipts - state	12,010,358	1,991,881	2,922,024	4,141,635	2,124,232
1858	(a) Other miscellaneous receipts - state - Fund 657	7,403	4,461	8,565	6,496	4,902
1858	(b) Other miscellaneous receipts - state - Fund 905	10,964,014	10,260,864	10,698,732	11,005,829	11,136,779
1860	Other miscellaneous receipts - local/other	1,749,384	1,793,312	2,030,010	635,352	3,695,397
1860	(a) Other miscellaneous receipts - local/other - Fund 657	-	74,350	55	1,024,385	410,501
1860	(c) Other miscellaneous receipts - local/other - Fund 880	30	-	-	-	-
1862	Fees for copying public records	515,415	496,751	416,138	394,686	304,600
1862	(a) Fees for copying public records - Fund 657	173	473	85	124	6,653
1866	Federal share of grantee sales	232,667	100,649	326,931	371,362	85,111
1868	Receivable overpayment - federal	130	356	-	-	-
1870	Receivable overpayment - state	3,159	6,506	673	4,384	4,936
1872	Receivable overpayment - local	127	169	-	27	241

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,				
		2004	2005	2006	2007	2008
6001	(j) Supply sales	-	18	24,426	231	1,240
6002	(j) Open records fees	9,389	9,221	17,818	8,983	14,607
6003	(j) Fleet services operations/maintenance	998,046	991,562	1,115,253	1,417,108	1,399,792
6005	(j) Fleet services replacement	2,171,486	699,191	942,733	1,795,574	1,643,902
6006	(j) Criminal records check fees	1,035,216	2,081,767	1,955,861	416,590	551,019
6007	(j) Mail/freight services	567,986	613,666	479,607	1,103,960	4,623,797
6009	(j) Telephone billing	32,136,693	30,453,762	28,357,604	27,984,063	29,296,050
6011	(j) Printing service	5,954,992	5,994,738	5,818,290	6,772,408	6,758,675
6013	(j) Reimbursement/recovery cost	22,719,299	23,900,839	27,763,425	46,816,635	27,588,347
6013	(c) Reimbursement/recovery cost - Fund 881	-	-	87,391	-	-
6015	(j) Leased facility	3,453,059	3,681,193	3,581,126	24,524,831	28,115,044
6017	(j) Sale of material, supplies, and services	1,136,437	991,081	960,872	1,562,826	1,023,568
6019	(j) Training	1,129,212	1,104,409	1,101,498	929,024	1,370,505
6021	(j) Computer services	23,342,866	24,494,010	23,672,220	21,535,182	20,108,887
6023	(j) Administration services	1,069,786	1,414,446	1,208,365	703,313	538,893
6025	(j) Flight operations services	463,883	397,374	303,007	246,618	306,660
6027	(j) Sale of manufactured products	22,003,644	21,069,582	20,575,593	20,523,336	27,259,106
6029	(j) Interagency receipts	17,651,535	19,048,175	20,626,666	20,866,582	22,106,993
6029	(c) Interagency receipts - Fund 851	457	-	-	-	-
6029	(c) Interagency receipts - Fund 880	1,096,663	1,058,766	-	-	-
6029	(c) Interagency receipts - Fund 881	105,950	531,142	329,256	390,026	439,461
6030	(j) Sampling &/or analysis	24,130	34,774	21,999	60,421	19,023
6031	(s) Redeposit of state funds	3,241	31,440	30,969	81,964	91,307
6032	(j) Deposit of unclaimed property	312	-	250	99	-
6033	(j) Permits	52,670	58,025	50,518	50,279	46,380
6034	(j) Registration fees	23,784	36,100	59,786	95,400	85,920
6035	(j) Taxes	2,283,087	1,541,530	1,360,109	939,124	1,028,358
6036	(j) Transcript fees	3,937	6,848	5,205	4,807	6,563
	Total revenues	18,893,988,141	19,500,869,283	20,919,973,902	21,928,919,952	22,939,031,965
Fund Exclusions:						
(a)	Lottery Enterprise - Fund 657	366,665,541	346,342,752	417,948,583	408,344,975	428,647,487
(b)	Alternative Care Trust Fund - Fund 905	11,036,562	10,340,974	10,838,475	11,192,201	11,354,071
(c)	Student Loan Funds 626, 851, 880, and 881	59,419,847	73,575,547	92,223,091	119,149,513	139,451,675
(d)	Pansy-Johnson-Travis Memorial State Gardens Trust - Fund 963	1,652	6,507	2,030	2,599	2,974
Revenue Source Exclusions:						
(e)	Federal funds	6,867,222,534	7,289,320,981	7,412,473,472	7,458,588,194	7,921,621,979
(f)	Proposition C sales and use tax/interest	732,649,103	757,578,980	781,199,192	818,391,501	810,234,737
(g)	Proposition A gas tax and license fee increases	178,223,865	182,053,225	175,587,964	175,375,774	175,543,409
(h)	Bond sales	262,829,539	3	370,196,052	829,993,881	591,204,336
(i)	Refunds	270,314,372	347,736,051	428,129,456	242,435,981	279,193,974
(j)	Interagency sales and receipts	138,231,448	138,622,309	140,002,232	178,357,392	173,893,330
(k)	Soil and water sales and use tax/interest	37,776,751	39,133,900	40,614,148	42,605,079	42,704,582
(l)	Parks sales and use tax/interest	37,557,571	38,773,670	39,886,973	41,680,478	41,502,910
(m)	Redeposit of investment principal	1,850,020	1,267,000	2,820,075	1,167,300	1,304,050
(n)	Outlawed checks	9,391,724	7,329,715	6,015,970	7,228,137	5,993,548
(o)	Redeposit of loan principal	102,229,254	67,167,370	45,037,273	44,067,394	44,481,873
(p)	Amendment 8 motor fuel tax to local governments	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,				
		2004	2005	2006	2007	2008
(q)	Bingo	2,996,554	2,798,154	2,578,717	2,362,408	2,190,015
(r)	Riverboat gambling	304,335,470	324,937,164	342,122,934	337,924,453	344,277,815
(s)	Redeposit of state funds	3,241	31,440	30,969	81,964	91,307
(t)	Loan proceeds	10,268,507	8,688,830	1,787,376	7,861,815	42,630,952
(u)	Conservation sales and use tax/interest	93,853,662	97,001,184	99,840,948	104,105,688	104,016,575
(v)	State employee expense account reimbursement	23,669	37,760	38,964	62,942	99,562
(w)	Recovery costs	163,653,275	158,226,200	147,510,945	156,840,026	168,814,932
(x)	Cost reimbursements	156,150,526	134,894,125	145,757,334	161,765,847	182,383,390
(y)	Canceled checks	4,151,727	5,801,505	4,218,841	4,042,092	2,562,124
(z)	Local match	2,147,704	3,942,050	4,235,868	3,010,486	3,367,687
(aa)	Proceeds of surplus property sales (Fund 710)	1,088,245	1,374,300	746,426	1,038,204	2,406,296
(bb)	Intergovernmental transfer program	30,326,961	26,875,705	-	-	-
(cc)	Department of Health WIC rebates	32,459,831	33,432,384	36,203,754	38,046,323	39,542,659
(dd)	Constitutional amendment No.3	-	-	385,172,035	443,708,243	425,003,075
	CMIA interest payment to the federal government	726,910	420,661	1,223,951	2,330,281	2,117,351
	Agency remitted sales tax	456,704	416,977	425,485	435,720	415,655
	Abandoned funds claim payments	18,739,655	19,432,004	19,462,594	21,635,424	30,642,979
	Federal interest	643	13,523,913	16,232,810	11,749,631	4,213,149
	Coding errors	97	-	-	1,399	-
	Total exclusions	10,050,554,267	10,288,163,160	11,170,564,938	11,675,583,344	12,021,910,458
	Total revenues after exclusions	8,843,433,874	9,212,706,123	9,749,408,964	10,253,336,608	10,917,121,507
	Less expenditure refunds (Exhibit C)	(1,126,226,599)	(1,127,328,402)	(1,185,513,592)	(1,272,907,957)	(1,321,367,348)
	Add refundable tax credits:					
	Pharmaceutical	524,527	142,373	1,672	-	-
	Business facility	23,992	-	6,026,392	19,478	92,579
	Enterprise zone	123,464	347,009	14,969,750	52,168	50,111
	BUILD	2,336,876	4,301,069	10,204,348	5,011,569	2,570,811
	Strategic initiative investment income	1,065,718	-	-	-	-
	Missouri Quality Jobs	-	-	-	-	37,366
	New Enhanced Enterprise Zone	-	-	-	-	126
	Total State Revenue	\$ 7,721,281,852	8,090,168,172	8,595,097,534	8,985,511,866	9,598,505,152

Exhibit C

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

Object Code	Description	Year Ended June 30,				
		2004	2005	2006	2007	2008
	SAM II Expenditure Refunds:					
3200	Bond refunds	\$ 2,290,607	3,214,409	3,174,790	3,607,162	2,970,993
3206	Deposit and escrow refunds	127,838	98,848	82,239	100,990	79,807
3212	Federal share grantee salary refunds	-	836	-	-	-
3213	Tax credit debt offset	-	-	192,267	658,452	227,342
3215	Debt offset refunds	6,582,994	6,269,213	7,196,032	9,154,126	9,513,639
3218	Motor vehicle license fee refunds	1,137,842	1,401,820	1,528,907	1,551,837	1,162,009
3221	Driver's license fee refunds	77,982	78,359	76,197	89,678	71,902
3227	License and permit fee refunds	84,732	160,866	187,184	144,244	164,254
3230	Registration fee refunds	7,622	16,984	13,786	21,762	9,653
3233	Regulatory fee refunds	45,944	237,543	16,421	13,154	52,960
3236	Inspection fee refunds	40,532	40,125	46,058	41,017	32,265
3239	Miscellaneous fee refunds	294,700	594,262	386,883	401,386	265,248
3242	Sales refunds	27,829	9,887	36,158	11,076	4,995
3245	Lease and rentals refunds	1,858	2,847	5,226	5,490	4,108
3248	Medical services refunds	1,876,972	2,571,969	2,855,085	4,982,151	6,420,842
3251	Contributions refunds	-	104,883	50	-	50
3254	Federal refunds	529,557	1,101,919	1,600,014	112,019	375,453
3255	Financial institutions tax refunds	-	-	-	-	60
3257	Penalty and court award refunds	38,456	168,547	26,054	15,971	98,591
3260	Interagency billing refunds	150	-	-	3,294	1,277
3261	Receivable overpayment refunds	141,205	10,962	46,188	31,237	54,017
3266	Missouri consolidated check off refunds	124,184	165,968	200,356	(48)	-
3267	Deferred revenue refunds	1,753,349	1,092,357	3,463,708	1,468,220	4,754,448
3269	Other refunds	1,778,662	1,708,679	903,385	5,658,768	600,632
3272	Sales and use tax protested refunds	391,490	37,141	156,832	5,255,333	13,101
3281	County foreign insurance tax refunds	24,125,058	15,863,307	14,468,499	21,577,679	23,577,535
3287	Worker's compensation insurance tax refunds	1,685,755	392,963	150,375	78,341	1,447,545
3290	Worker's compensation second injury insurance tax refunds	9,944	9,732	-	-	-
3293	Cigarette tax refunds	141,494	83,251	44,675	31,563	39,838
3296	Tobacco products tax refunds	9,302	100	3,819	631	4,349
3299	Aviation fuel tax refunds	52,827	68,327	25,172	25,589	16,155
3305	Special fuel (non-gas) tax refunds	25,536,357	30,388,502	29,996,843	32,290,045	28,343,359
3308	Fuel tax refunds	9,611,080	9,765,264	9,522,282	8,885,478	9,336,130
3311	Sales tax refunds	5	44	48	1	3,612
3314	Food tax exemption refund	85,626	-	-	-	831,966
3317	General sales and use tax refunds	59,927,094	44,966,016	31,494,255	88,368,480	69,427,541
3326	Motor vehicle sales tax refunds	4,721,452	4,291,710	4,179,140	3,981,005	3,867,997
3329	Motor vehicle use tax refunds	961,458	1,002,748	983,801	1,164,938	1,043,711
3335	Boat tax refunds	6,645	7,257	6,720	9,587	4,339
3338	Individual tax refunds	763,201,964	752,279,117	773,108,237	808,846,331	900,112,335
3341	Senior citizens tax refunds	95,237,087	99,101,427	96,090,703	93,118,292	100,165,523
3342	Pharmaceutical tax refunds	524,527	496,516	1,672	-	-
3344	Corporation tax refunds	116,499,019	144,879,893	195,549,284	172,190,828	151,204,765
3347	Franchise tax refunds	460,301	691,213	6,435,586	1,188,431	3,760,724
3350	Inheritance tax refunds	5,458,449	2,816,253	930,022	7,429,565	310,823
3356	Other tax refunds	616,650	1,136,338	328,639	393,855	991,455
	Total SAM II Expenditure Refunds	\$ 1,126,226,599	1,127,328,402	1,185,513,592	1,272,907,957	1,321,367,348

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	$= \frac{\text{TSR in FY 1981}}{\text{CY 1979 Missouri personal income (MPI)}} \times$	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.
------------------------------	--	--

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 4 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-eight 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 \$153,277,453 received from tobacco companies during fiscal year 2008. 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 2007 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
2007	139,292,616

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 2008, the OA-BP calculated these limits at \$88.8 million for the Missouri Personal Income amount and \$85.9 million for the one percent of total state revenues amount.

For fiscal year 2008, the OA-BP has determined that as a result of legislative actions net taxes and fees decreased by a total of \$124.7 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).