



Susan Montee, JD, CPA
Missouri State Auditor

Administration

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

Year Ended June 30, 2009

June 2010

Report No. 2010-71



auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

The following is a review 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, 2009.

Total state revenue was calculated at \$8.7 billion, while the refund threshold was calculated at \$11.4 billion, which means state revenue was under the revenue limit by \$2.7 billion for the year ended June 30, 2009.

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

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

Table of Contents

State Auditor's Report	2
------------------------	---

Executive Summary	4
-------------------	---

Exhibits

Exhibit

A	Summary of Total State Revenue and Refund Calculations, 5 Years Ended June 30, 2009	8
B	Schedule of Total State Revenues, 5 Years Ended June 30, 2009	9
C	Schedule of Expenditure Refunds, 5 Years Ended June 30, 2009	18

Background, Methodology, and Conclusions	19
---	----

Appendix

Article X, Sections 16 through 24, Constitution of Missouri (Adopted November 4, 1980, Amended April 2, 1996)	29
--	----



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, Missouri

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2009, and the application to those revenues of Article X, Sections 16 through 24, Missouri Constitution, 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 2008. 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, Missouri Constitution.



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
Audit Staff:	Kenneth Erfurth

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

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, 2009, 2008, 2007, 2006, and 2005. The results of our review determined that for the year ended June 30, 2009, TSR was approximately \$2.7 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2009.

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 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.



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

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 calculation of refunds was changed 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



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

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.

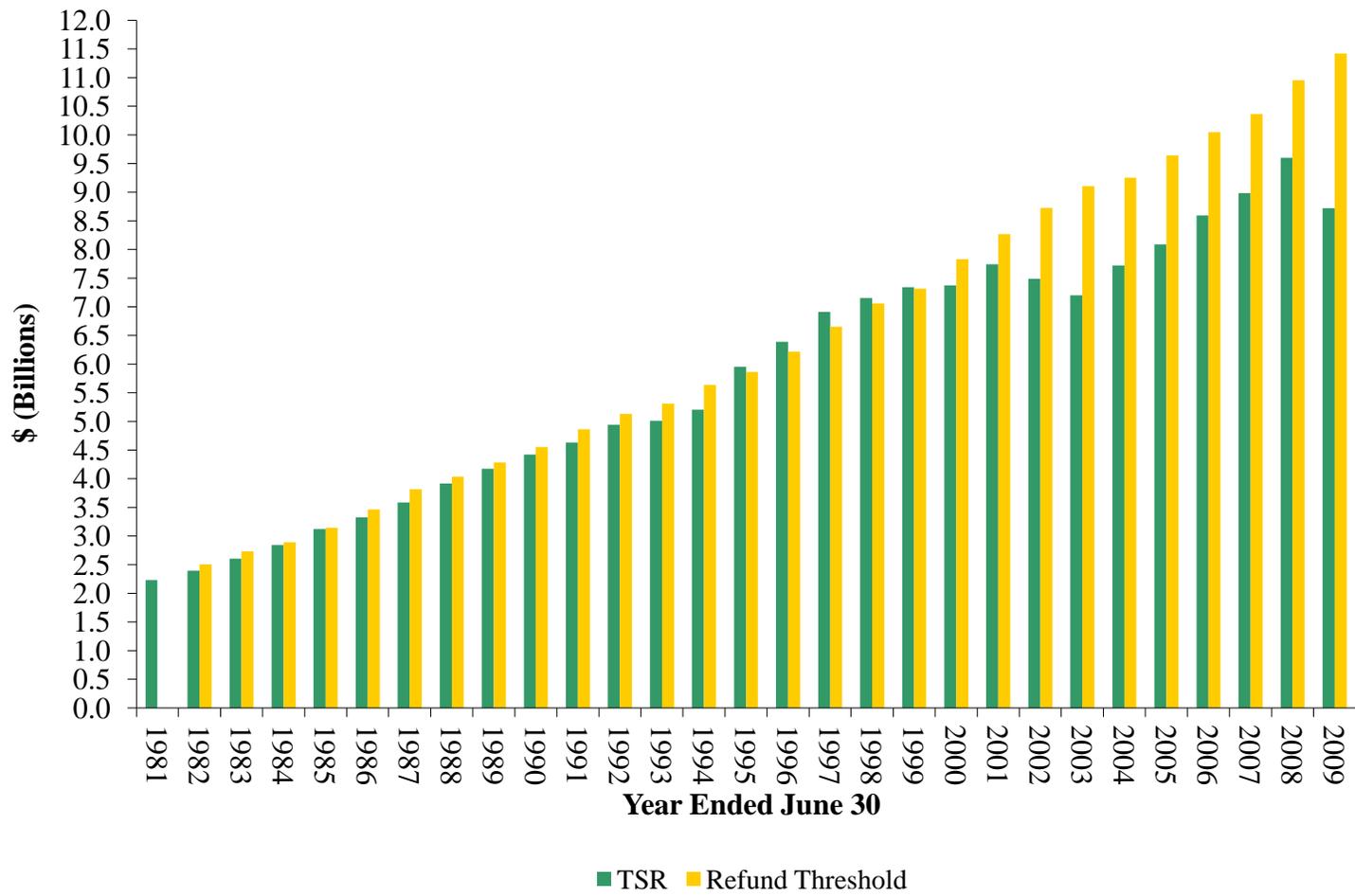


Exhibit A

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,				
	2005	2006	2007	2008	2009
TOTAL STATE REVENUE (TSR)					
Total state receipts	\$ 19,500.87	20,919.97	21,928.92	22,939.03	22,962.81
Less excluded revenue	(10,288.16)	(11,170.56)	(11,675.58)	(12,021.91)	(12,742.02)
Less expenditure refunds	(1,127.33)	(1,185.51)	(1,272.91)	(1,321.37)	(1,504.91)
Add refundable tax credits	4.79	31.20	5.08	2.75	5.66
TSR	\$ 8,090.17	8,595.10	8,985.51	9,598.50	8,721.54

REVENUE LIMIT AND REFUND THRESHOLD

Missouri personal income	\$ 168,512.00	175,524.00	181,066.00	191,413.00	199,655.00
Base year ratio	x 0.056395	0.056395	0.056395	0.056395	0.056395
Base limit	9,503.23	9,898.68	10,211.22	10,794.74	11,259.54
Judicial article amendment	45.81	45.81	47.64	49.06	50.53
Revenue limit	9,549.04	9,944.49	10,258.86	10,843.80	11,310.07
1 percent adjustment	95.49	99.44	102.59	108.44	113.10
Refund threshold	\$ 9,644.53	10,043.93	10,361.45	10,952.24	11,423.17

REFUND CALCULATION

TSR	\$ 8,090.17	8,595.10	8,985.51	9,598.50	8,721.54
Less refund threshold	9,644.53	10,043.93	10,361.45	10,952.24	11,423.17
Over (Under) Threshold	(1,554.36)	(1,448.83)	(1,375.94)	(1,353.74)	(2,701.63)
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,				
			2005	2006	2007	2008	2009
	1001	Sales and use tax	\$ 1,887,769,667	1,957,288,809	2,035,863,087	2,029,365,907	1,927,035,752
	1003	(l) Parks sales and use tax	38,608,924	39,628,892	41,334,134	41,177,179	38,627,585
	1005	(k) Soil and water sales and use tax	38,608,927	39,632,549	41,334,138	41,177,637	38,627,589
	1007	General revenue reimbursements - local sales and use tax	1,850,561	1,874,991	1,869,288	1,836,920	1,361,895
	1009	Motor vehicle sales tax	210,749,553	73,944,788	63,299,893	29,084,872	2,974,344
	1009	(dd) Motor vehicle sales tax - Amendment 3	-	106,679,065	166,565,679	171,801,305	161,889,790
	1011	(u) Conservation sales and use tax	96,524,659	99,069,219	103,332,575	102,945,079	96,571,218
	1013	(f) Proposition C sales and use tax	756,380,208	778,913,723	815,417,913	807,214,841	758,897,169
	1015	Sales and use taxes paid under protest	925,453	154,942	133,448	679,617	1,321,174
	1016	Suspense holding	-	-	-	(1)	-
	1022	Individual income tax	4,866,347,540	5,360,652,738	5,736,714,734	6,118,983,440	5,949,177,456
	1024	Individual income taxes paid under protest	121,038	27,095	78,291	107,119	89,239
	1026	Corporate income tax	354,390,367	528,814,068	553,946,111	520,955,635	434,036,242
	1028	Corporate income taxes paid under protest	-	27,012	2,311	22,040	2,036
	1033	County foreign insurance tax	165,480,625	189,702,198	199,210,713	209,554,552	203,798,991
	1037	Worker's compensation insurance tax	23,532,434	2,070,359	6,289,512	13,945,412	12,043,776
	1039	Worker's compensation insurance tax - second injury	73,796,417	69,529,997	64,288,526	60,287,228	54,647,952
	1041	Excess lines of insurance tax	24,929,980	22,028,985	25,158,519	25,699,706	21,920,932
	1049	Heavy beer tax	8,127,177	8,368,270	8,380,561	8,436,959	8,466,036
	1051	Light beer tax	44,632	41,247	31,303	33,457	37,836
	1053	Liquor tax	16,159,921	16,848,358	18,421,990	18,045,107	18,839,100
	1055	Wine tax	3,975,042	4,286,145	4,496,356	4,657,885	4,646,495
	1057	Cigarette tax	99,247,687	99,873,124	96,959,034	97,150,389	94,799,204
	1059	Tobacco product tax	11,035,093	11,448,194	11,917,483	12,214,822	13,065,193
	1060	Motor vehicle fuel tax	415,205,844	415,115,603	412,792,165	410,494,152	399,565,091
	1060	(g) Motor vehicle fuel tax	176,987,003	175,587,964	175,375,774	175,543,409	168,061,247
	1060	(p) Motor vehicle fuel tax	157,079,820	-	-	-	-
	1060	(dd) Motor vehicle fuel tax - Amendment 3	-	155,838,142	155,649,820	155,798,599	149,158,016
	1062	Special fuel non-gas tax	2,118,492	1,240,891	1,312,257	3,331,931	1,483,582
	1062	(dd) Special fuel non-gas tax - Amendment 3	-	106,978	92,863	115,290	104,383
	1064	Aviation fuel tax	405,276	353,686	336,589	343,894	254,811
	1070	Corporation franchise tax	119,446,502	77,827,368	77,788,371	92,508,381	94,337,368
	1073	Estate tax	42,221,932	15,569,883	5,971,861	3,451,099	3,068,343
	1074	(q) Bingo tax	2,703,789	2,472,633	2,282,012	2,154,878	2,142,815
	1076	(r) Gaming commission gross receipts tax	270,532,391	286,934,255	286,393,286	293,171,757	316,072,724
	1080	Real and personal property tax	19,737,535	22,825,969	23,605,723	25,689,796	26,699,750
	1082	Delinquent real and personal property tax	3,499,542	2,281,634	2,791,494	3,280,619	3,332,155
	1084	Hazardous waste fees	3,100,982	1,287,666	1,860,180	1,713,325	1,594,056
	1085	Managed care organization reimbursement allowance	-	17,174,996	-	-	-
	1086	Miscellaneous taxes paid under protest	-	-	9,537	-	-
	1088	Nursing facility reimbursement allowance	13,116,650	11,810,655	12,161,891	12,831,315	13,503,123
	1089	Pharmacy reimbursement allowance	18,995,336	15,079,728	8,915,898	10,806,129	37,988,202
	1090	Federal reimbursement allowance	33,782,892	17,142,839	8,700,416	11,284,451	6,320,261
	1093	Athletic events tax	180,817	86,504	174,484	120,933	140,907
	1095	Surcharges	1,566,759	8,261,197	14,141,291	396,680	410,904
	1097	Agency collected sales taxes	386,577	374,927	407,964	352,093	352,820
	1099	Other taxes	109,316	88,684	76,928	83,118	12,151,473
	1100	Professional licenses or permits	23,938,936	26,330,221	23,446,674	21,312,199	25,563,003
	1102	Recreational licenses or permits	4,656,292	4,313,421	4,572,038	4,547,798	5,013,650
	1104	All-terrain vehicle licenses or permits	362	1,029	2,044	326	1
	1106	Motor vehicle licenses or permits	180,565,635	104,739,988	78,597,030	126,655,951	127,213,317
	1106	(dd) Motor vehicle licenses or permits - Amendment 3	-	81,033,917	81,093,455	55,960,916	52,894,364

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,				
			2005	2006	2007	2008	2009
	1108	Interstate transportation licenses or permits	59,110,421	50,934,127	49,638,906	49,744,434	49,686,448
	1108	(g) Interstate transportation licenses or permits	5,066,222	-	-	-	-
	1108	(dd) Interstate transportation licenses or permits - Amendment 3	-	24,600,544	22,381,807	21,632,031	21,591,711
	1110	Driver's licenses or permits	17,088,649	7,938,652	7,524,695	6,839,329	7,675,442
	1110	(dd) Driver's licenses or permits - Amendment 3	-	9,609,103	9,467,142	8,718,336	9,438,170
	1112	Land reclamation commission permits	535,465	567,114	541,457	674,024	645,713
	1114	Salesman licenses or permits	252,940	254,160	247,560	186,320	79,340
	1116	Vehicle and boat manufacturer and dealer licenses	976,181	992,413	980,078	977,540	920,472
	1118	Liquor licenses or permits	3,986,540	4,118,092	4,180,895	4,764,537	4,740,555
	1120	Gaming commission licenses	1,777,891	1,441,184	1,728,790	1,712,730	1,769,544
	1122	Beer licenses or permits	7,472	6,861	18,545	6,117	345,800
	1124	Motor carrier licenses	2,611,895	2,292,089	2,073,834	94,593	2,672,893
	1126	Hunting and fishing licenses and commission permits	29,295,503	28,285,286	29,535,358	29,390,276	30,505,122
	1127	Hunting and fishing special tags	1,134,412	1,186,138	1,161,514	1,154,059	1,243,205
	1128	Hazardous waste transporter licenses	338,746	164,379	376,836	303,265	315,291
	1130	Water pollution control permits	4,377,961	4,542,878	5,033,755	4,509,288	4,105,784
	1132	Overdimension/overweight permits	5,286,025	2,568	3,892	-	-
	1132	(dd) Overdimension/overweight permits - Amendment 3	-	5,615,174	6,620,053	8,155,732	7,836,787
	1134	Merchant licenses	1,178,706	1,132,984	1,267,445	1,196,319	1,291,850
	1136	Tobacco licenses	24,100	25,900	27,000	25,910	27,210
	1138	Temporary licenses	755	307	125	500	300
	1140	Duplicate plates	2,201	17,836	23,936	26,353	4,861
	1149	Other licenses and permits	5,356,182	3,364,580	3,152,349	3,457,744	3,623,316
	1149	(dd) Other licenses and permits - Amendment 3	-	1,578,504	1,753,449	2,746,279	1,164,998
	1150	Lobbyist registration fees	1,970	2,961	13,510	12,190	12,000
	1152	Motorboat fees	7,852,101	6,970,789	10,266,665	9,600,457	8,351,195
	1154	Narcotics and dangerous drugs fees	620,506	999,794	778,581	714,987	1,018,475
	1156	Occupational boards exam fees - individual exam fees	969,081	594,716	616,843	644,623	694,968
	1160	Non-motor fuel decal fees	100,966	-	-	-	-
	1160	(dd) Non-motor fuel decal fees - Amendment 3	-	110,608	83,977	74,587	70,820
	1162	Filing fees	19,927,361	19,517,988	19,269,826	19,875,870	19,086,452
	1163	Certifying/authenticating fees	192,184	64,251	49,425	43,727	34,797
	1164	Transfer fees	27,014	30,365	27,690	26,328	23,188
	1165	Service contract registration fee	-	-	62,500	73,250	79,300
	1169	Other registration fees	7,542,362	7,343,546	7,832,821	8,610,985	8,463,011
	1174	Asbestos fees	276,147	286,911	238,255	254,582	240,043
	1178	Milk control fees	64,066	63,193	43,058	62,986	75,681
	1180	Home health care license fees	117,750	112,800	129,100	115,450	131,350
	1182	Nursing home license fees	132,404	164,447	128,726	129,076	148,000
	1184	Title V emissions fees	8,250,446	8,531,692	8,638,247	9,928,734	9,475,409
	1185	Emission fees/non Title V facilities	344,704	382,437	356,012	414,460	360,787
	1186	Boarding home license fees	724,251	718,914	715,186	719,196	706,990
	1188	Public utilities fees	19,261,361	18,355,749	20,190,954	20,929,841	20,573,416
	1190	Hospital license fees	83,647	85,704	85,398	80,140	85,855
	1192	Grain warehouse license fees	34,161	32,246	34,159	35,493	35,662
	1194	Missouri primacy fees	2,794,025	2,560,720	3,558,666	4,430,383	4,769,823
	1198	Transport load fees	23,665,383	23,389,711	23,634,784	23,608,574	15,360,359
	1200	Storage tank registration fees	224,440	259,296	70,850	43,420	218,785

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,				
			2005	2006	2007	2008	2009
	1202	Tourist cabin permit fees	46,881	186,847	183,255	190,413	186,418
	1206	Solid waste disposal fees	11,473,573	11,855,266	12,735,973	12,708,281	12,062,594
	1208	New tire fees	27,332	953,815	2,104,673	2,193,715	2,075,192
	1209	Battery fee	-	288,524	722,637	770,341	689,178
	1210	Ground water protection fees	623,233	666,068	618,151	582,549	553,520
	1214	Insurance regulatory fees, renewals and purchasing groups	1,718,125	2,451,504	1,425,228	2,323,828	2,409,276
	1216	Air conservation commission permit fees	449,690	349,094	299,163	536,063	319,173
	1218	Bingo license fees	67,275	52,570	49,030	48,790	44,755
	1220	Lab fees	2,424,212	4,432,911	4,639,903	4,345,438	4,611,505
	1222	Program administration fees	713,491	731,723	785,700	958,714	1,126,032
	1223	Confined animal feed operation indemnity fees	37,731	41,953	29,517	9,176	2,143
	1224	Railroad assessments	971,729	499,106	863,313	817,934	1,215,231
	1227	Enhanced vehicle emission inspection fees	1,738,699	1,685,333	1,688,837	1,879,945	1,769,830
	1233	Grain warehouse inspection fees	1,741,117	1,529,055	1,508,603	1,868,115	1,608,105
	1235	Milk inspection fees	1,379,483	1,196,302	1,073,188	1,298,899	1,256,812
	1237	Ice cream products inspection fees	31,700	31,360	33,060	31,560	30,930
	1239	Mine inspection fees	66,982	88,502	72,498	66,054	66,435
	1241	Mobile home and recreational vehicle inspection fees	745,037	823,258	848,302	692,098	456,887
	1243	Oil inspection fees	2,557,810	2,543,426	2,527,235	2,529,258	2,421,394
	1249	Other inspection fees	1,370,310	1,503,392	1,436,877	1,669,840	1,788,609
	1250	Collection fees	19,775,880	21,095,935	22,675,134	23,608,199	23,539,510
	1251	Bankruptcy collections	-	-	-	-	14,045
	1252	Admission fees	1,341,952	1,108,448	1,326,303	1,163,583	1,083,498
	1252 (r)	Admission fees - riverboat gambling	54,146,991	54,679,803	50,902,479	50,443,830	52,232,350
	1254	State auditor fees	1,071,601	1,231,909	1,013,252	539,400	118,764
	1260	Grade crossing safety fees	1,250,036	1,491,051	1,548,723	1,252,031	1,409,774
	1262	Loan administration fees	3,810,458	4,274,803	5,163,127	5,521,764	5,738,930
	1262 (c)	Loan administration fees - Fund 881	-	1,895	5,537,769	6,725,473	915,043
	1264	Court fees	21,604,235	22,925,711	23,032,841	37,470,842	39,960,611
	1266	Financial institutions examination fees	7,209,189	7,924,104	7,911,716	7,909,159	8,669,478
	1268	Consumer finance license fees	986,550	1,005,300	1,053,225	1,208,234	1,007,100
	1270	Transcript fees	139,175	143,371	123,751	147,615	136,551
	1272	Land survey fees	(1,300)	-	-	-	-
	1274	Marketing development fees	212,008	309,413	46,619	33,821	42,539
	1276	Miscellaneous insurance fees	601,590	514,125	500,230	223,250	101,120
	1278	Gaming commission administrative income	1,011	933	195	42	51
	1279 (a)	Lottery commission fees	387,762	337,854	320,659	310,335	291,569
	1280	Motor vehicle inspection sticker fees	4,533,806	4,466,495	4,569,287	4,528,447	4,518,331
	1282	Logo sign advertising fees	4,161,752	4,608,913	5,287,240	5,650,254	5,890,321
	1284	Public defender fees	1,455,500	1,771,541	1,732,334	1,838,506	1,675,741
	1286	Witness fees	6,961	6,162	12,598	7,315	8,961
	1288	County recorders fees	9,404,215	9,501,397	8,941,272	7,956,681	7,153,824
	1290	Training or conference fees	45,410	96,483	150,108	199,278	238,543
	1294	Electronic monitoring fee	1,640,776	1,626,475	1,299,497	758,683	390,939
	1298	Substance abuse offender program fees	3,872,787	3,946,177	3,966,623	4,044,125	4,506,829
	1302	Criminal records check fees	5,669,234	6,733,119	6,958,215	9,092,462	9,544,860
	1303	Other fees	7,025,043	11,724,083	23,408,294	25,639,072	24,715,293
	1305 (h)	Bond sales proceeds	3	370,196,052	829,993,881	591,204,336	135,638,581
	1310	Land sales	5,512,710	5,001,965	3,836,054	4,796,703	6,069,069

Exhibit B

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

Revenue Source		Year Ended June 30,				
Code	Type of Revenue	2005	2006	2007	2008	2009
1312	Sales of natural resources products	3,524,846	3,836,475	4,418,501	4,104,935	4,096,409
1314	Sales of agriculture products	1,750,295	1,852,115	1,711,914	1,718,766	1,872,632
1316	Manufactured product sales	7,799,864	7,892,157	8,333,588	9,267,484	10,279,039
1318	Information sales	3,237,949	3,283,582	3,273,720	3,108,519	4,147,230
1320	Souvenir sales	626,113	595,639	566,016	484,982	516,912
1322	Surplus property sales - state	1,626,659	1,522,369	3,030,067	1,838,028	1,969,908
1322	(a) Surplus property sales - state - Fund 657	-	10,000	-	-	-
1322	(aa) Surplus property sales - state - Fund 710	1,374,300	746,426	1,038,204	2,406,296	1,442,420
1324	Surplus property sales - federal	2,281,737	2,903,435	2,761,749	3,227,475	2,741,375
1328	Sales of fixed assets - control	6,740,642	9,052,606	27,501,823	8,610,355	6,314,677
1330	Vital records sales	1,436,055	1,867,182	1,714,728	1,623,663	1,388,392
1332	(a) Lottery ticket sales	345,575,845	416,691,040	405,909,024	426,619,333	415,724,608
1334	Cafeteria sales	613,530	654,178	678,666	810,586	947,866
1338	Other sales	238,143	223,093	161,139	301,386	165,471
1338	(a) Other sales - Fund 657	643	-	-	-	-
1342	Supply sales	618	342	-	252	429
1401	Land rentals/leases	1,066	56,052	802	802	5,020
1403	State facilities rentals/leases	703,612	762,715	764,022	883,696	744,704
1404	Parking rentals/leases	68,872	72,349	67,046	57,527	59,971
1405	Concessions and recreational rentals/leases	2,310,330	2,292,138	2,265,352	2,118,733	2,312,217
1407	Housing/building rentals/leases	255,272	267,281	483,807	490,125	479,543
1409	Other leases and rentals	842,244	820,430	1,155,026	859,985	1,178,807
1414	(e) Medicare	13,104,191	11,840,541	14,355,763	15,286,228	16,766,843
1418	(e) Medicaid	113,767,474	104,129,943	94,774,725	91,248,819	103,783,950
1420	(e) Medicaid - community based	46,154,590	114,403,516	116,805,982	127,076,851	115,281,339
1422	Private payments	7,484,711	7,172,906	6,705,792	6,404,747	7,510,050
1424	Insurance payments	2,183,788	2,627,062	2,053,140	1,955,642	1,722,218
1426	Other payments	82,499	223,016	6,913	23,242	13,444
1434	Institutional support fees	29,525	73,761	98,527	32,466	-
1436	Room and care	23,390,722	25,408,983	26,844,689	28,463,349	28,265,453
1438	Fleet services operations/maintenance	-	395	-	-	-
1442	Mail/freight services	1,686	1,798	581	-	-
1446	Printing service	112,719	156,303	166,681	189,891	200,348
1448	Computer services	3,699	4,279	3,897	3,739	3,412
1450	Administration services	-	-	45	-	-
1501	Private donations	3,038,212	2,132,328	2,944,164	4,957,335	5,918,919
1502	Other governmental entity donations	6,458	35,470	-	232,942,595	1,077,338
1504	Donated assets-state agencies	-	-	-	268,140	-
1507	(e) NASAO (airport inspections)	-	5,500	16,500	29,603	11,000
1510	(e) US Department of Agriculture	324,208,864	341,963,232	349,407,388	381,641,506	420,410,665
1512	(e) US Department of Defense	3,139,604	4,780,027	3,893,101	4,060,015	4,651,803
1513	(e) US Department of Homeland Security	-	-	1,252,634	682,977	2,042,282
1514	(e) US Department of Housing and Urban Development	38,264,807	34,944,621	34,535,980	31,411,897	31,289,602
1516	(e) US Department of Interior	20,010,553	26,236,848	27,365,634	20,279,925	23,070,474
1518	(e) US Department of Justice	45,439,686	67,710,357	70,533,811	69,045,688	56,902,635
1520	(e) US Department of Labor	75,173,714	80,155,791	74,373,262	68,105,755	58,743,547
1522	(e) US Department of Education	607,650,375	655,561,523	638,057,083	645,983,360	658,786,433
1522	(c) US Department of Education - Fund 880	6,777,654	7,753,744	7,878,432	8,583,560	9,240,882
1522	(c) US Department of Education - Fund 881	42,401,412	54,653,829	54,336,871	68,627,016	69,496,551
1524	(e) US Department of Transportation	832,914,720	827,044,903	894,887,794	966,375,333	907,815,007

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,				
			2005	2006	2007	2008	2009
1526	(e)	National Foundation for the Arts and Humanities	3,118,665	3,928,489	4,255,569	3,997,117	3,926,131
1528	(e)	US Veterans Administration	26,333,616	28,181,524	30,818,955	33,325,810	39,646,428
1529	(e)	US General Services Administration	6,577	7,113	-	-	-
1530	(e)	US Environmental Protection Agency	65,371,097	67,603,444	83,034,587	77,554,953	68,660,802
1532	(e)	US Department of Energy	7,971,473	7,526,734	5,956,480	7,199,609	8,153,289
1534	(e)	Federal Emergency Management Agency	15,694,217	8,273,328	56,826,554	100,158,631	93,612,003
1536	(e)	US Department of Health and Human Services	4,940,907,333	4,905,437,144	4,852,243,251	5,173,517,451	5,962,380,121
1538	(e)	National and Community Services	3,607	1,115	-	-	-
1540	(e)	US Social Security Administration	32,955,548	32,848,371	29,882,066	31,986,280	34,225,980
1542	(e)	National Archives and Records	104,549	-	-	2,847	7,883
1546	(e)	US Department of Treasury	-	-	7,217	14,131	-
1549	(e)	Miscellaneous federal revenues	32,039,098	37,287,497	36,183,522	39,257,277	41,423,945
1551		County mental health programs	8,823,579	9,989,505	13,875,319	14,145,722	17,279,085
1557	(e)	American Recovery and Reinvestment Act	-	-	-	-	218,840,784
1560	(e)	Federal pass-through grants	38,100,579	47,538,058	34,258,934	25,400,556	29,303,116
1601		Time deposits interest	5,893,485	12,895,202	23,996,538	29,926,290	12,009,416
1601	(f)	Time deposits interest - Fund 688	157,407	411,767	612,653	641,067	216,290
1601	(a)	Time deposits interest - Fund 657	36,639	159,048	242,536	273,873	100,337
1601	(k)	Time deposits interest - Fund 614	71,316	186,636	292,342	358,018	140,951
1601	(l)	Time deposits interest - Fund 613	21,759	47,803	75,523	72,808	17,798
1601	(b)	Time deposits interest - Fund 905	10,028	26,020	42,128	48,307	18,420
1601	(q)	Time deposits interest - Fund 289	12,525	20,526	18,977	8,238	3,650
1601	(r)	Time deposits interest - Fund 285	34,523	92,255	136,919	148,375	56,151
1601	(d)	Time deposits interest - Fund 963	73	203	328	381	146
1601	(u)	Time deposits interest - Fund 609	64,275	146,264	173,506	249,889	93,732
1601	(c)	Time deposits interest - Fund 851	2,333	692	4	-	-
1601	(c)	Time deposits interest - Fund 880	50,877	125,596	136,386	254,027	110,497
1601	(c)	Time deposits interest - Fund 881	42,233	94,280	256,202	283,429	123,463
1603		U.S./agency securities interest	49,506,581	92,567,456	136,046,244	165,547,425	98,431,256
1603	(f)	U.S./agency securities interest - Fund 688	1,041,365	1,873,702	2,360,935	2,378,829	1,292,741
1603	(a)	U.S./agency securities interest - Fund 657	236,997	683,862	790,655	885,649	549,694
1603	(k)	U.S./agency securities interest - Fund 614	453,657	794,963	978,599	1,168,927	770,521
1603	(l)	U.S./agency securities interest - Fund 613	142,987	210,279	270,821	252,923	98,993
1603	(b)	U.S./agency securities interest - Fund 905	64,582	109,873	138,138	156,670	100,277
1603	(q)	U.S./agency securities interest - Fund 289	81,826	85,557	61,420	26,900	20,342
1603	(r)	U.S./agency securities interest - Fund 285	223,260	416,621	491,769	513,853	316,656
1603	(d)	U.S./agency securities interest - Fund 963	1,433	1,827	2,271	2,594	2,330
1603	(u)	U.S./agency securities interest - Fund 609	412,250	625,465	599,606	821,176	515,226
1603	(c)	U.S./agency securities interest - Fund 851	15,656	2,480	13	-	-
1603	(c)	U.S./agency securities interest - Fund 880	324,274	525,676	444,875	813,773	593,614
1603	(c)	U.S./agency securities interest - Fund 881	277,329	399,813	838,339	908,536	684,046
1605		Other investment interest	400,000	610,000	669,229	611,213	414,850
1610		Interest on loans	951,381	1,020,355	1,343,034	1,105,177	1,237,598
1612		Interest - federal	13,523,913	16,232,810	11,749,631	4,213,149	125
1614		Interest on receivables	201,562	33,040	59,153	19,012	37,829
1616		Interest on settlements	94,709	57,276	65,220	66,588	108,045
1618		Other interest	29,162	58,582	53,160	157,670	34,041
1618	(c)	Other interest - Fund 880	-	122,516	96,985	57,651	-
1618	(u)	Other interest - Fund 609	-	-	-	431	88
1620		Safety responsibility	-	-	-	15	-
1621		Penalties	19,400,092	14,246,673	9,424,865	8,484,577	9,334,634
1621	(q)	Penalties - Fund 289	15	-	-	-	-
1621	(c)	Penalties - Fund 881	-	-	826	1,622	22,044
1624		Settlements	4,736,944	7,970,583	2,301,820	49,350,712	1,283,220

Exhibit B

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

Revenue Source		Year Ended June 30,				
Code	Type of Revenue	2005	2006	2007	2008	2009
1626	Court awards	1,681,369	1,732,607	1,704,591	2,106,126	12,331,225
1628	Insufficient funds charges	7,703	7,186	4,936	5,600	5,061
1634	Estates	449	66	153	756	38,120
1636	Unclaimed properties	53,672,476	92,367,911	91,118,828	66,694,449	57,078,780
1700	(i) Salary refunds - federal	695,196	614,734	758,548	589,826	614,761
1701	(i) Salary refunds - state	40,575	48,639	35,771	25,423	18,399
1702	(i) Salary refunds - local/other	28,205	17,929	20,238	17,151	16,418
1703	(i) General relief pension refunds	1,186,474	121,698	70,586	16,784	4,955
1704	(i) Blind pension refunds	2,788	5,886	11,895	9,433	10,319
1706	(i) Dependent children pension refunds	367,373	356,838	356,687	290,147	275,511
1715	(i) Day care refunds	72,401	58,904	183,536	191,875	53,530
1717	(i) Medicare - Medicaid refunds	331,852,999	413,909,726	226,517,358	258,377,975	294,632,462
1719	(i) Cost in criminal cases refunds	447,889	565,968	693,320	761,476	863,183
1721	(i) Vendor refunds - federal	1,313,190	1,008,453	1,213,162	1,657,882	777,934
1722	(i) Vendor refunds - state	747,697	603,961	517,589	1,203,020	566,893
1722	(a) Vendor refunds - state - Fund 657	6,045	24,422	3,189	831	5,318
1722	(c) Vendor refunds - state - Fund 880	1,857	753	2,672	54,278	2,345
1722	(c) Vendor refunds - state - Fund 881	100	9,000	-	945,118	-
1723	(i) Vendor refunds - local/other	290,456	294,599	276,869	234,455	1,163,024
1723	(c) Vendor refunds - local/other - Fund 880	1,151	-	-	-	-
1724	(i) Political subdivision refunds	9,919	18,180	20,255	25,023	3,373
1725	(i) Excess court payment refunds	1,499,024	795,229	1,900,561	818,399	1,359,396
1727	(i) School refunds	5,689,555	5,314,240	4,691,784	8,222,948	6,649,921
1728	(i) Scholarship refunds	314,355	349,559	355,827	274,898	240,482
1729	(i) Audit findings - federal	194,239	120,584	35,091	-	43,331
1730	(i) Audit findings - state	50,321	-	-	-	40,980
1731	(i) Audit findings - local/other	38,282	52,665	175,203	434,776	104,984
1732	(i) Utility refunds	9,131	13,651	18,141	17,744	32,023
1733	(i) Fuel tax refunds	300,863	227,324	150,385	151,592	(106,840)
1733	(a) Fuel tax refunds - Fund 657	-	277	-	-	-
1733	(c) Fuel tax refunds - Fund 880	3	24	-	-	-
1737	(i) Other refunds	2,585,121	3,630,689	4,433,171	5,873,148	4,096,155
1737	(a) Other refunds - Fund 657	-	-	47,344	134,433	-
1737	(c) Other refunds - Fund 880	-	-	25,211	3,503	-
1737	(c) Other refunds - Fund 881	-	25,710	29	-	10,396
1806	(w) Recovery costs	158,226,200	147,510,945	156,840,026	168,814,932	189,968,684
1806	(a) Recovery costs - Fund 657	-	-	-	-	845
1806	(bb) Intergovernmental transfer program	26,875,705	-	-	-	-
1808	Deposit of surplus property funds	2,040	20,640	-	-	-
1811	(z) Local match	3,942,050	4,235,868	3,010,486	3,367,687	72,096,316
1812	(x) Cost reimbursements - federal	481,878	854,596	859,539	528,325	1,447,120
1812	(c) Cost reimbursements - Fund 880	2,146	-	-	-	-
1813	(x) Cost reimbursements - state	20,069,835	17,379,683	32,758,124	24,793,321	75,467,210
1813	Cost reimbursements - state (included)	8,011,183	9,299,758	10,036,608	11,640,527	13,832,495
1813	(c) Cost reimbursements - Fund 880	213	247	-	465	-
1814	(x) Cost reimbursements - local/other	114,342,412	127,523,055	128,148,184	157,061,744	183,357,141
1814	(c) Cost reimbursements - local/other - Fund 880	-	6	-	-	284
1816	Bond account	7,278,870	6,375,510	6,305,705	7,677,792	7,110,689

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,				
			2005	2006	2007	2008	2009
	1818	(v) Employee expense reimbursement - federal	1,756	-	405	112	1,414
	1819	(v) Employee expense reimbursement - state	1,447	615	26,116	5,199	670.88
	1820	(v) Employee expense reimbursement - local/other	969	771	583	-	-
	1821	(v) Employee personal expense reimbursement	33,588	37,578	35,838	94,250	63,910
	1821	(c) Employee personal expense reimbursement - Fund 880	137	88	10	3	-
	1822	(n) Outlawed checks	7,329,715	6,015,970	7,228,137	5,993,548	5,619,566
	1822	(b) Outlawed checks - Fund 905	2,620	3,850	6,102	9,348	5,176
	1824	(y) Canceled checks	5,801,505	4,218,841	4,042,092	2,562,124	1,779,409
	1824	(a) Canceled checks - Fund 657	19,368	32,995	-	-	120
	1824	(b) Canceled checks - Fund 905	2,880	-	4	2,967	2,318
	1824	(c) Canceled checks - Fund 880	-	-	109	-	-
	1826	(m) Redeposit of investments principal	1,267,000	2,820,075	1,167,300	1,304,050	1,801,100
	1826	(d) Redeposit of investments principal - Fund 963	5,000	-	-	-	-
	1828	(o) Redeposit of loan principal	48,774,710	32,786,258	40,736,073	41,337,044	46,089,055
	1830	Telephone commissions	2,220,545	2,191,590	1,004,266	819,800	840,814
	1832	Commission on sales	42,918	33,051	25,670	28,177	27,522
	1834	Rebates	3,186,878	2,657,841	346,877	927,252	1,924,379
	1834	(a) Rebates - Fund 657	169	381	563	978	897
	1834	(c) Rebates - Fund 880	3	26	2,224	7,112	5,029
	1834	(cc) Rebates - WIC	33,432,384	36,203,754	38,046,323	39,542,659	43,522,102
	1836	Housing and maintenance receipts	61,888	61,026	70,788	61,735	47,823
	1838	Loan defaults	374,067	280,132	638,617	336,208	573,499
	1840	(t) Loan proceeds	8,688,830	1,787,376	7,861,815	42,630,952	25,878,784
	1842	(o) Loan repayment	92,404	94,639	103,409	109,797	84,983
	1842	(c) Loan repayment - Fund 881	22,088,262	28,090,069	49,202,530	51,746,648	58,430,783
	1843	(o) Loans receivable contra account	18,300,256	12,156,376	3,227,912	3,035,032	3,457,702
	1844	Insurance proceeds	5,295	7,089	2,448	500	2,343
	1846	Capital credits/dividends	55,706	47,137	53,045	67,838	56,056
	1848	Recycling receipts	130,338	135,281	181,661	301,545	144,022
	1850	Forfeitures	2,071,385	1,989,974	1,960,425	1,803,287	1,699,515
	1852	Overpayments	1,771,438	2,337,400	6,004,394	2,654,717	1,286,358
	1856	(e) Other miscellaneous receipts - federal	6,886,042	5,063,853	4,861,403	7,979,360	8,114,311
	1858	Other miscellaneous receipts - state	1,991,881	2,922,024	4,141,635	2,124,232	2,324,164
	1858	(a) Other miscellaneous receipts - state - Fund 657	4,461	8,565	6,496	4,902	9,667
	1858	(b) Other miscellaneous receipts - state - Fund 905	10,260,864	10,698,732	11,005,829	11,136,779	11,956,369
	1860	Other miscellaneous receipts - local/other	1,793,312	2,030,010	635,352	3,695,397	35,975,437
	1860	(a) Other miscellaneous receipts - local/other - Fund 657	74,350	55	1,024,385	410,501	2,460,146
	1862	Fees for copying public records	496,751	416,138	394,686	304,600	260,326
	1862	(a) Fees for copying public records - Fund 657	473	85	124	6,653	1,340
	1866	Federal share of grantee sales	100,649	326,931	371,362	85,111	197,237
	1868	Receivable overpayment - federal	356	-	-	-	-

Exhibit B

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

Revenue Source		Year Ended June 30,				
Code	Type of Revenue	2005	2006	2007	2008	2009
1870	Receivable overpayment - state	6,506	673	4,384	4,936	5,989
1872	Receivable overpayment - local	169	-	27	241	452
6001	(j) Supply sales	18	24,426	231	1,240	1,354
6002	(j) Open records fees	9,221	17,818	8,983	14,607	9,677
6003	(j) Fleet services operations/maintenance	991,562	1,115,253	1,417,108	1,399,792	1,428,340
6005	(j) Fleet services replacement	699,191	942,733	1,795,574	1,643,902	1,815,707
6006	(j) Criminal records check fees	2,081,767	1,955,861	416,590	551,019	548,855
6007	(j) Mail/freight services	613,666	479,607	1,103,960	4,623,797	5,206,206
6009	(j) Telephone billing	30,453,762	28,357,604	27,984,063	29,296,050	30,228,498
6011	(j) Printing service	5,994,738	5,818,290	6,772,408	6,758,675	7,245,959
6013	(j) Reimbursement/recovery cost	23,900,839	27,763,425	46,816,635	27,588,347	37,796,274
6013	(c) Reimbursement/recovery cost - Fund 881	-	87,391	-	-	-
6015	(j) Leased facility	3,681,193	3,581,126	24,524,831	28,115,044	89,825,994
6017	(j) Sale of material, supplies, and services	991,081	960,872	1,562,826	1,023,568	635,852
6019	(j) Training	1,104,409	1,101,498	929,024	1,370,505	1,078,692
6021	(j) Computer services	24,494,010	23,672,220	21,535,182	20,108,887	19,477,666
6023	(j) Administration services	1,414,446	1,208,365	703,313	538,893	618,124
6025	(j) Flight operations services	397,374	303,007	246,618	306,660	379,838
6027	(j) Sale of manufactured products	21,069,582	20,575,593	20,523,336	27,259,106	29,179,527
6029	(j) Interagency receipts	19,048,175	20,626,666	20,866,582	22,106,993	23,416,792
6029	(c) Interagency receipts - Fund 880	1,058,766	-	-	-	-
6029	(c) Interagency receipts - Fund 881	531,142	329,256	390,026	439,461	491,591
6030	(j) Sampling &/or analysis	34,774	21,999	60,421	19,023	614,983
6031	(s) Redeposit of state funds	31,440	30,969	81,964	91,307	199,713
6032	(j) Deposit of unclaimed property	-	250	99	-	300
6033	(j) Permits	58,025	50,518	50,279	46,380	83,427
6034	(j) Registration fees	36,100	59,786	95,400	85,920	81,635
6035	(j) Taxes	1,541,530	1,360,109	939,124	1,028,358	7,671,468
6036	(j) Transcript fees	6,848	5,205	4,807	6,563	8,658
	Total revenues	19,500,869,283	20,919,973,902	21,928,919,952	22,939,031,965	22,962,810,345
Fund Exclusions:						
(a)	Lottery Enterprise - Fund 657	346,342,752	417,948,583	408,344,975	428,647,487	419,144,543
(b)	Alternative Care Trust Fund - Fund 905	10,340,974	10,838,475	11,192,201	11,354,071	12,082,560
(c)	Student Loan Funds 626, 851, 880, and 881	73,575,547	92,223,091	119,149,513	139,451,675	140,126,568
(d)	Pansey-Johnson-Travis Memorial State Gardens Trust - Fund 963	6,507	2,030	2,599	2,974	2,476
Revenue Source Exclusions:						
(e)	Federal funds	7,289,320,981	7,412,473,472	7,458,588,194	7,921,621,979	8,907,850,373
(f)	Proposition C sales and use tax/interest	757,578,980	781,199,192	818,391,501	810,234,737	760,406,201
(g)	Proposition A gas tax and license fee increases	182,053,225	175,587,964	175,375,774	175,543,409	168,061,247
(h)	Bond sales	3	370,196,052	829,993,881	591,204,336	135,638,581
(i)	Refunds	347,736,051	428,129,456	242,435,981	279,193,974	311,461,193
(j)	Interagency sales and receipts	138,622,309	140,002,232	178,357,392	173,893,330	257,353,826
(k)	Soil and water sales and use tax/interest	39,133,900	40,614,148	42,605,079	42,704,582	39,539,061
(l)	Parks sales and use tax/interest	38,773,670	39,886,973	41,680,478	41,502,910	38,744,377
(m)	Redeposit of investment principal	1,267,000	2,820,075	1,167,300	1,304,050	1,801,100
(n)	Outlawed checks	7,329,715	6,015,970	7,228,137	5,993,548	5,619,566

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,				
		2005	2006	2007	2008	2009
(o)	Redeposit of loan principal	67,167,370	45,037,273	44,067,394	44,481,873	49,631,740
(p)	Amendment 8 motor fuel tax to local governments	157,079,820	-	-	-	-
(q)	Bingo	2,798,154	2,578,717	2,362,408	2,190,015	2,166,806
(r)	Riverboat gambling	324,937,164	342,122,934	337,924,453	344,277,815	368,677,880
(s)	Redeposit of state funds	31,440	30,969	81,964	91,307	199,713
(t)	Loan proceeds	8,688,830	1,787,376	7,861,815	42,630,952	25,878,784
(u)	Conservation sales and use tax/interest	97,001,184	99,840,948	104,105,688	104,016,575	97,180,265
(v)	State employee expense account reimbursement	37,760	38,964	62,942	99,562	65,995
(w)	Recovery costs	158,226,200	147,510,945	156,840,026	168,814,932	189,968,684
(x)	Cost reimbursements	134,894,125	145,757,334	161,765,847	182,383,390	260,271,471
(y)	Canceled checks	5,801,505	4,218,841	4,042,092	2,562,124	1,779,409
(z)	Local match	3,942,050	4,235,868	3,010,486	3,367,687	72,096,316
(aa)	Proceeds of surplus property sales (Fund 710)	1,374,300	746,426	1,038,204	2,406,296	1,442,420
(bb)	Intergovernmental transfer program	26,875,705	-	-	-	-
(cc)	Department of Health WIC rebates	33,432,384	36,203,754	38,046,323	39,542,659	43,522,102
(dd)	Constitutional amendment No.3	-	385,172,035	443,708,243	425,003,075	404,149,038
	CMIA interest payment to the federal government	420,661	1,223,951	2,330,281	2,117,351	1,629,506
	Agency remitted sales tax	416,977	425,485	435,720	415,655	400,123
	Abandoned funds claim payments	19,432,004	19,462,594	21,635,424	30,642,979	25,133,509
	Federal interest	13,523,913	16,232,810	11,749,631	4,213,149	125.25
	Coding errors	-	-	1,399	-	-
	Total exclusions	10,288,163,160	11,170,564,938	11,675,583,344	12,021,910,458	12,742,025,558
	Total revenues after exclusions	9,212,706,123	9,749,408,964	10,253,336,608	10,917,121,507	10,220,784,787
	Less expenditure refunds (Exhibit C)	(1,127,328,402)	(1,185,513,592)	(1,272,907,957)	(1,321,367,348)	(1,504,906,007)
	Add refundable tax credits:					
	Pharmaceutical	142,373	1,672	-	-	-
	Business Facility	-	6,026,392	19,478	92,579	13,702
	Enterprise Zone	347,009	14,969,750	52,168	50,111	33,142
	BUILD	4,301,069	10,204,348	5,011,569	2,570,811	3,252,101
	Missouri Quality Jobs	-	-	-	37,366	1,877,275
	New Enhanced Enterprise Zone	-	-	-	126	16,842
	Residential Dwelling Accessibility	-	-	-	-	11,372
	Self-employed Health Insurance	-	-	-	-	451,605
	Public Safety Officer Surviving Spouse	-	-	-	-	6,170
	Total State Revenue	\$ 8,090,168,172	8,595,097,534	8,985,511,866	9,598,505,152	8,721,540,989

Exhibit C

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

Object Code	Description	Year Ended June 30,				
		2005	2006	2007	2008	2009
	SAM II Expenditure Refunds:					
3200	Bond refunds	\$ 3,214,409	3,174,790	3,607,162	2,970,993	3,142,134
3206	Deposit and escrow refunds	98,848	82,239	100,990	79,807	75,915
3212	Federal share grantee salary refunds	836	-	-	-	-
3213	Tax credit debt offset	-	192,267	658,452	227,342	238,494
3215	Debt offset refunds	6,269,213	7,196,032	9,154,126	9,513,639	9,101,435
3218	Motor vehicle license fee refunds	1,401,820	1,528,907	1,551,837	1,162,009	450,450
3221	Driver's license fee refunds	78,359	76,197	89,678	71,902	69,368
3227	License and permit fee refunds	160,866	187,184	144,244	164,254	145,499
3230	Registration fee refunds	16,984	13,786	21,762	9,653	5,200
3233	Regulatory fee refunds	237,543	16,421	13,154	52,960	12,487
3236	Inspection fee refunds	40,125	46,058	41,017	32,265	51,104
3239	Miscellaneous fee refunds	594,262	386,883	401,386	265,248	468,145
3242	Sales refunds	9,887	36,158	11,076	4,995	19,375
3245	Lease and rentals refunds	2,847	5,226	5,490	4,108	13,281
3248	Medical services refunds	2,571,969	2,855,085	4,982,151	6,420,842	6,600,044
3251	Contributions refunds	104,883	50	-	50	5,857,204
3254	Federal refunds	1,101,919	1,600,014	112,019	375,453	441,708
3255	Financial institutions tax refunds	-	-	-	60	-
3257	Penalty and court award refunds	168,547	26,054	15,971	98,591	145,810
3260	Interagency billing refunds	-	-	3,294	1,277	-
3261	Receivable overpayment refunds	10,962	46,188	31,237	54,017	32,948
3266	Missouri consolidated check off refunds	165,968	200,356	(48)	-	-
3267	Deferred revenue refunds	1,092,357	3,463,708	1,468,220	4,754,448	2,415,893
3269	Other refunds	1,708,679	903,385	5,658,768	600,632	643,992
3272	Sales and use tax protested refunds	37,141	156,832	5,255,333	13,101	-
3281	County foreign insurance tax refunds	15,863,307	14,468,499	21,577,679	23,577,535	14,220,444
3287	Worker's compensation insurance tax refunds	392,963	150,375	78,341	1,447,545	2,118,877
3290	Worker's compensation second injury insurance tax refunds	9,732	-	-	-	-
3293	Cigarette tax refunds	83,251	44,675	31,563	39,838	-
3296	Tobacco products tax refunds	100	3,819	631	4,349	-
3299	Aviation fuel tax refunds	68,327	25,172	25,589	16,155	58,079
3305	Special fuel (non-gas) tax refunds	30,388,502	29,996,843	32,290,045	28,343,359	24,411,746
3308	Fuel tax refunds	9,765,264	9,522,282	8,885,478	9,336,130	11,297,330
3311	Sales tax refunds	44	48	1	3,612	262
3314	Food tax exemption refund	-	-	-	831,966	-
3317	General sales and use tax refunds	44,966,016	31,494,255	88,368,480	69,427,541	70,654,335
3326	Motor vehicle sales tax refunds	4,291,710	4,179,140	3,981,005	3,867,997	2,883,786
3329	Motor vehicle use tax refunds	1,002,748	983,801	1,164,938	1,043,711	821,239
3335	Boat tax refunds	7,257	6,720	9,587	4,339	4,610
3338	Individual tax refunds	752,279,117	773,108,237	808,846,331	900,112,335	1,059,238,817
3341	Senior citizens tax refunds	99,101,427	96,090,703	93,118,292	100,165,523	118,574,491
3342	Pharmaceutical tax refunds	496,516	1,672	-	-	-
3344	Corporation tax refunds	144,879,893	195,549,284	172,190,828	151,204,765	164,028,331
3347	Franchise tax refunds	691,213	6,435,586	1,188,431	3,760,724	6,133,165
3350	Inheritance tax refunds	2,816,253	930,022	7,429,565	310,823	38,417
3356	Other tax refunds	1,136,338	328,639	393,855	991,455	491,591
	Total SAM II Expenditure Refunds	\$ 1,127,328,402	1,185,513,592	1,272,907,957	1,321,367,348	1,504,906,007

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), Missouri Constitution, establishes the revenue limit formula as follows:

$$\text{Revenue limit for FY 20XX} = \frac{\text{TSR in FY 1981}}{\text{CY 1979 Missouri personal income (MPI)}} \times \text{The greater of Missouri Personal Income (MPI) in the calendar year (CY) prior to the CY in which appropriations are made for FY 20XX or Average MPI for three CYs preceding FY 20XX.}$$

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 the DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" the 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 the 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 the 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.



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

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 received 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



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

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.

Excluded Funds

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), Missouri Constitution, as follows:

- A. Lottery In November 1984, the voters approved Article III, Section 39(b), Missouri 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.



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

Excluded Revenues	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), Missouri Constitution, as follows:
E. Federal Funds	Article X, Section 17, Missouri 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, Missouri 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	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), Missouri 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.
L. Parks Sales and Use Tax/Interest	
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.



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

P. Amendment 8 Motor Fuel
Tax to Local Governments

In August 1992, the voters approved an amendment to Article IV, Section 30(a), Missouri 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), Missouri 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), Missouri 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. In November 2008, the voters approved increasing the tax to 21 percent. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d), Missouri 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), Missouri 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.



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

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. Also, see item X. below.
- 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.



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

- 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 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), Missouri 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



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

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.

Other Exclusions and Limits

Other exclusions and limits have been considered to arrive at TSR, as follows:

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), Missouri 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



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

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 \$168,066,958 received from tobacco companies during fiscal year 2009. 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 2008 were as follows:

Fiscal Year	Amount
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
2008	153,277,453

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



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

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. OA officials could not locate any current studies but believe continued exclusion is reasonable.

Compliance with Article X,
Section 18(e)

Article X, Section 18(e), Missouri 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 2009, the OA-BP calculated these limits at \$92.2 million for the Missouri Personal Income amount and \$89.9 million for the one percent of total state revenues amount.

For fiscal year 2009, the OA-BP has determined that as a result of legislative actions net taxes and fees decreased by a total of \$92.4 million. As a result, it appears the state complied with Article X, Section 18(e).

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



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

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



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

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



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

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



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

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).