



TEL Amendment Frequently Asked Questions & Answers:

Citizens for Tax Reform's Tax Expenditure Limitation (TEL) Amendment limits state and local government annual spending growth to 3.5 per cent or the sum of the rate of inflation plus population growth. Any year-end unspent revenue over 10 per cent of the budget is to be refunded to taxpayers. Local governments receive a guaranteed five per cent of the previous fiscal year's aggregate state expenditures, and unfunded mandates are forbidden. The Attorney General has approved petition language and circulation has begun. Citizens for Tax Reform will collect the necessary 322,899 signatures by the state mandated August 10 deadline to qualify for the November 8 ballot.

Q. Why does Ohio need a TEL?

A. Ohio state government spending is growing at an unsustainable rate, 71 per cent since 1994. This rate of spending growth drives jobs out of Ohio and saddles remaining taxpayers with unreasonably high burdens.

Q. How many other states have TELs?

A. Twenty-six states have either tax or spending limitations. New Jersey passed the first TEL in 1976, and Ronald Reagan helped promote Prop 13 in California in 1978.

Q. Colorado has a TEL and some say their state government has been hamstrung in their efforts to adjust to a changing economy. Won't this cause the same problems for Ohio?

A. Colorado's situation is different because their amendment requires approval of all tax increases (not spending increases) and was later amended to allow accelerated K-12 education spending. Ohio's amendment only limits what is spent, not how it is raised, and contains a 'poison pill' that voids the spending limit if other amendments authorizing higher spending are passed.

Q. Why change the Constitution to do this?

A. Putting this in the Constitution puts an institutional wall in place against increased taxes and spending. John Hancock said, "Constitutions are not restrictions by government upon the people, constitutions are restrictions by the people upon the government."

Q. What is notable in Citizens for Tax Reform's latest petition language?

- A.
- 1) This petition language allows state spending to increase 3.5 per cent or the sum of the rate of inflation plus the increase in population, whichever is higher.
 - 2) Local governments receive a guaranteed baseline spending level of five per cent of state revenues and state government is forbidden from placing duties on local government without providing the revenue to perform them (no unfunded mandates).
 - 3) A simple legislative majority can authorize a statewide referendum on higher spending.

Q. If this TEL was in place two years ago, how would it have changed Ohio's budget?

A. State spending went up 11 per cent in the FY04-05 budget. If the TEL was in place the most state spending could have increased was seven per cent - a savings of nearly \$2 billion in general fund dollars alone.

Relevant Economic Facts:

- According to the Federal Reserve Bank, the U.S. inflation rate was 2.2 per cent in 2003 and 3.0 per cent in 2004.
- The U.S. Census Bureau estimates Ohio's population grew:
 - 22,536 to 11,410,396 by July 1, 2002 from 11,387,860 on July 1, 2001 = .20 per cent
 - 27,284 to 11,437,680 by July 1, 2003 for an increase of .24 per cent
 - 21,331 to 11,459,011 by July 1, 2004 for an increase of .19 per cent