



TEL the Truth

The Tax Expenditure Limitation (TEL) Amendment will stop the out of control growth in government spending that chases away Ohio jobs and hope. However, big government supporters and liberal special interest groups are trying to scare Ohioans about the TEL. Here are some facts to help voters understand how the TEL helps Ohio.

What Is the TEL? The TEL limits state and local government annual spending growth to 3.5% or the sum of inflation plus population growth, whichever is greater. The limit is waived in case of an emergency. If politicians want to exceed the spending limits, they must receive voters' approval.

Why Do We Need a TEL? State of Ohio spending increased 71% from 1994-2005, the highest in the nation, and triggered the two largest tax increases in Ohio history. Local government spending increased just as fast. The state and local tax burden for Ohioans now ranks 7th highest in the nation, chasing away jobs.

How Does the TEL Work? The TEL covers monies from the State of Ohio general revenues that are appropriated by the General Assembly, and local government general revenue spending and tax increases. Note: The TEL does not cut spending, it simply limits the growth in spending. After establishing a 'rainy day fund,' all surpluses over 15% of the budget are refunded to taxpayers.

The TEL does NOT cover expenditures such as:

- Federal/state pass through payments or allocations to state/local government (such as Medicaid);
- refunds, gifts, grants or bequests;
- "enterprise funds" such as the Ohio Turnpike or state universities (and their hospitals and athletics);
- Workers' Compensation, STRS, PERS and Tobacco Settlement funds;
- capital improvement expenditures; and
- "revolving funds" for agencies, boards and commissions.

Local Government: The TEL puts a 3.5% or population plus inflation limit on local government spending, and any tax increases must be approved by voters. To help local government, it forbids unfunded state mandates and sets aside at least 5% of covered state revenues to prevent funding cuts (which occurred in three of the last four years).

Myth #1: The TEL requires a majority of ALL registered voters to pass a tax increase. This makes it nearly impossible to pass a levy since a majority of voters rarely vote.

Fact: All that is needed is a simple majority (50% +1) of those who vote in that election to approve increased spending. The terms 'voters' and 'electors' are used interchangeably in state statutes. For instance, the City of Euclid used this language in 1994 to raise local income taxes for school and city operations with a 23% voter turnout. See O.R.C. Sections 302.21, 307.15, 718.09 and 3709.281.

Myth #2: The TEL shouldn't be in the Ohio Constitution.

Fact: Ohio's Constitution already protects taxpayers by requiring a balanced budget, so spending limits to protect taxpayers are perfectly appropriate, too.

Myth #3: The TEL's Supremacy Clause makes the amendment unworkable.

Fact: Supremacy clauses are typical in legal documents of this kind. As in all ballot issues, the General Assembly will write enabling legislation to answer any questions.

Myth #4: The TEL is like the Colorado TABOR, which ruined Colorado's health care, education and basic services so badly that voters repealed it last fall.

Fact: The TEL is different than the TABOR, taking its positives and avoiding its negatives. 1) The TABOR has no 'rainy day fund' to balance out recessions, the TEL does. 2) The TABOR limits revenue, the TEL limits spending. Limiting revenue creates a "ratcheting down" effect, but limiting spending allows for faster recovery after a recession. 3) Colorado's teacher unions pushed through a mandate for expanded K-12 education spending, busting TABOR's budget balance and taking valuable money from other worthwhile public investments. 4) Colorado voters did not repeal the TABOR; they only temporarily suspended it.

As for 'ruined' social services, independent research ranked Colorado as the 13th healthiest state based on 19 criteria including pre-natal care, obesity, smoking, crime, disease and poverty. A National Education Assn. study showed Colorado teacher pay ranked 27th in the nation. Finally, Colorado's 1996-2001 Medicaid enrollment levels were well above the national average. As for economic 'destruction', Colorado doubled Ohio's job growth rates in the last five years, population grew 8.5% (Ohio's is almost flat) and personal income jumped from 17th to 7th (Ohio sank to 24th). Ohio hasn't seen that kind of vitality in decades.

Myth #5: Local government will be unable to make large purchases for items like a new fire truck.

Fact: The TEL does not cover capital improvement spending on durable items such as fire trucks or infrastructure. Local governments faced with large expenditures have several options: get voter approval (as they often do now with fire or public safety levies), create a revolving account (not covered by the TEL) to set aside the money they need, or negotiate contract terms that spread costs over several years.

Myth #6: Public universities and hospitals will be unable to fund basic student services or patient care.

Fact: Spending by public universities and hospitals is not covered by the TEL.

Myth #7: Local libraries will face economic shortfalls.

Fact: The TEL does not cut spending for libraries or any other public entity, it only limits total spending growth. If needed, local libraries can go to legislators or voters for extra operating and capital funds, like other public bodies.

Myth #8: The TEL takes the governing authority away from elected officials and forces them into bad decisions like releasing criminals from prison or lowering the number of state troopers.

Fact: The TEL does not cut spending in specific areas, it only limits the growth in total spending among all line items. The TEL can only make elected officials consider their funding priorities, look at ways to save money or persuade their constituents to approve higher spending.

Myth #9: The TEL's local government fund includes counties, townships and cities, and adds schools, libraries and other taxing districts which will compete for the same money.

Fact: The TEL's local government fund monies will be distributed as directed by the General Assembly and local government officials, as they have been for years.

Myth #10: The TEL will block Blackwell's \$4-6 Billion Jobs for Ohio Businesses (JOB) Fund, generated from the sale of the Ohio Turnpike.

Fact: Turnpike Authority revenues and expenditures are not covered by the TEL. Further, JOB Fund expenditures come from a lease of the Turnpike, not a sale, which is not covered by the TEL.

Myth #11: The TEL prevents local governments' commercial and industrial development initiatives and restricts their ability to fund services as they expand.

Fact: The whole point of the TEL is to encourage economic growth through limited government spending and lower taxes. That's why the TEL has an alternate limit determined by population and inflation, so spending can grow as population does, too.

Myth #12: The TEL will create a structural imbalance in Ohio public finance.

Fact: Ohio already have a structural imbalance between spending and taxes: spending has grown dramatically faster than income. (From 1994-2005, Ohio spending grew 71% and triggered the two largest tax increases in Ohio history.) The TEL will actually create more balance by preventing spending binges that trigger bigger taxes.

Myth #13: The TEL will make Ohio an "economic backwater."

Fact: Ohio currently is 47th in the nation in job creation, ahead of only Michigan, Louisiana and Mississippi. 27 states have some version of a TEL, and Ohio leads only one in job creation.

Myth #14: Jim Petro has a better plan to limit spending.

Fact: Petro's CAP plan is toothless against increased spending. In fact, independent research showed Petro's CAP would have allowed an extra \$12 Billion in spending from 1994-2005. Ohio's 71% spending increase triggered the two largest tax increases in Ohio history. Petro was originally against the TEL's spending limit, and only talked about a CAP when he fell behind Ken Blackwell in the polls. Many think his CAP is a smoke screen, since he has done nothing to put his proposal on the ballot.

Myth #15: The TEL will hurt the average Ohioan.

Fact: Average Ohioans are being hurt by politicians who talk like budget cutters, but vote for increased spending and higher taxes that chase jobs out of state and take money out of taxpayers' pockets.