

FACT\$

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Fiscal Accountability and Communication for Taxpayers

School districts relieved by TEL withdrawal

“... but nothing in this world is certain but death and taxes.”

-- Benjamin Franklin, 1789

Since the Constitutional Convention gave American governmental institutions the power to tax, taxpayers have been determined to ensure they are not overtaxed.

Various forms of limits on taxes and spending by state legislatures have been in place throughout the country since the 1970s. Ohio's proposed, and now withdrawn, Tax Expenditure Limitation (TEL) Amendment drew attention to these laws and the debate over whether and how to structure them.

Opponents of Ohio's TEL pointed to the example of a constitutional TEL considered to be a failure: the Colorado Tax Payer Bill of Rights (TABOR).

Enacted in 1992, TABOR has been blamed for decaying public services throughout Colorado. Last November, voters agreed to suspend TABOR for five years in an attempt to improve the state's public schools as well as health care and transportation projects.

The TEL Amendment would have placed drastic limitations on state spending in the Ohio Constitution. The amendment was slated for a Nov. 8, 2006 vote. However, since the May 2 gubernatorial primary, Ohio lawmakers struck a deal which created a legislative version of the TEL Amendment and allowed its backers to seek its removal from the ballot.

Q: What would the TEL Amendment have done?

A: The amendment would have limited state and local governments' annual spending increases to 3.5 percent or a combination of inflation and population growth. It would have required a vote of the people to override the limit except in a specifically defined emergency.

Q: How would TEL have affected West Carrollton Schools?

A: For school districts and other local government groups, the most frightening

part of the amendment was the requirement that additional taxes be passed by a majority of the electors.

The word electors is important. It refers to anyone registered and eligible to vote. If voter turnout is low, as it typically is in school elections, no new taxes would ever pass. This is frightening in Ohio because more than half of education is funded by local tax levies.

To illustrate this, look at the November 2004 election. Across Ohio, 114 school levies were approved. However, if the TEL amendment had been in place, only 12 of those issues would have passed because most local areas saw fewer than half of their registered voters go to the polls.

Q: How is the legislative TEL different?

A: The legislation – introduced and passed in only two days – applies only to the state and only to its general fund. A two-thirds majority of state lawmakers can alter it. The limit, however, is still 3.5 percent or a combination of inflation and population growth.

Q: Does this mean Ohio school funding is safe?

A: No. Our state's history of trimming education spending is likely to continue. The state legislature must still contain overall expenses and, in the past, education funding has suffered as a result. However, it would be much easier to change this law than it would have been to change the constitution.

Q: Will the TEL be on my ballot when I go to the polls on Nov. 8?

A: Probably not. When the legislative TEL was passed, a companion bill was also passed. Because the TEL was an appropriations bill, it was effective as soon as Gov. Bob Taft signed it. While House Bill 312 allows the TEL committee co-chairs to withdraw their ballot initiative, that legislation isn't effective for 90 days. The notice to withdraw must be received no less than 75 days before the election. There is a two-day window between when the law takes effect and deadline to withdraw. If all goes according to plan, you won't see the TEL. However, some analysts say court challenges are possible.

Sources: Ohio Library Council, The Center for Community Solutions, National Conference on State Legislatures, Policy Matters Ohio.

