



Backers Submit Revised Sales Tax Repeal Petition

Citizens for Tax Repeal Thursday submitted a revised petition to repeal the recently enacted one-percent increase in Ohio's sales tax to Attorney General Jim Petro, following Petro's rejection of the original petition language this week for failing to say that the sales tax increase would expire June 30, 2005.

"We trust that now we have inserted the words the attorney general suggested, 'that will expire on June 30, 2005,' that the attorney general will approve this petition promptly," said Citizens for Tax Repeal Treasurer Jeff Ledbetter.

"The attorney general took three weeks to decide he needed seven more words. We hope there won't be any similar delays this time, so we can promptly begin collecting 96,870 signatures to put this matter back before the Legislature," Ledbetter said.

Secretary of State Ken Blackwell, who is spearheading the effort, said, "Just as California voters signed petitions to recall a bad governor, I am confident that Ohio voters will sign petitions to reject a bad tax.

"Ohio taxpayers ready to start Ohio's own recall of the 20 percent sales tax increase should contact our website, www.repealthe tax.com," Blackwell added.

Lori Viars, a member of the Citizens for Tax Repeal committee said, "Any further delay will deny Ohio citizens and taxpayers their constitutionally-guaranteed right to petition their government and let Ohio's runaway spending continue unchecked."

After the attorney general certifies the language and local boards of election certify 100 valid signatures, Citizens for Tax Repeal can begin the process of mass circulation of the petitions.

Think Tank Issues Report on Implications of Issue 1

Policy Matters Ohio Thursday issued a report examining the legal and fiscal implications of **Issue 1** -- the Constitutional amendment implementing the final component of the governor's Third Frontier project that appears on the November 4 ballot.

While Policy Matters Ohio specifically says it has "no stance for or against" the issue, its research director, Zach Schiller, notes that "such broad-based expansion comes with risks that must be weighed carefully."

The report notes that "Approval of **Issue 1** would open a new era in Ohio's economic development policy. Both state and local governments would be empowered to devote more resources to research and product commercialization efforts and to engage in partnerships with the private sector that are far closer than those that exist today.

"The proposed amendment removes long-standing constitutional barriers that prevent the public sector from becoming a stockholder in private businesses. This is not a step to be taken lightly. If the amendment is approved, state and local governments must shoulder the responsibility of ensuring that the implementation of programs to support research, venture capital, and product development achieve their intended results."

The report goes on to explain that **Issue 1** "is about more than just a state bond issuance -- **Issue 1** involves many complex financial and legal issues" including the following:

- The amendment makes support for research and product commercialization a public purpose under the Ohio Constitution, and permits the public sector to use bonds and other sources of revenue to make grants, loans, loan guarantees, advances, direct investments, or in-kind contributions using personnel or property.

This authority is permanent. ([article continues](#))

- Currently, the Ohio Constitution only permits the state to take on debt to finance direct aid to the private sector by using revenue bonds. Revenue bonds use non-tax receipts, such as the state's liquor profits, to repay bondholders. However, once the amendment is approved, the General Assembly can pass implementing legislation to permit the state to issue general obligation bonds. General obligation bonds are repaid with general tax revenue and are backed by the state's pledge of its "full faith and credit." The state is obligated by contract to pay bondholders the full amount they are owed, regardless of the state's financial condition. Presently, the state, but not local governments, can only issue such bonds to finance research that increases the use of Ohio coal.
- The principal rationale offered by the Taft administration for the bond issuance is that the funds are needed for programs that finance operating expenses associated with research and product development. These expenses include wages and supplies needed to run a business or a research laboratory.
- State universities and local governments will be permitted to issue such bonds as well, subject to authorizing legislation by the General Assembly which will have to decide what types of bonds may be issued (revenue or general obligation), in what amounts, and for which specific purposes.
- For decades, economic development programs have focused on financing facilities and equipment. The amendment clarifies the public sector's constitutional authority to support business' operating expenses, and to finance projects designed to create or acquire intellectual property. Although some state programs support these activities, current constitutional sections are not explicit, so the state's authority has rested primarily on opinions of attorneys general that have not been tested in court.
- Bond payments likely will be subject to federal income tax because some of the proceeds will benefit private industry. Therefore, the state will pay a somewhat higher rate of interest than otherwise would be the case for general obligation bonds. Ohio's Office of Budget and Management estimates that the state would pay \$190 million in interest over a twenty-year period if it were to issue \$50 million in bonds each year for ten years at a 6.5% interest rate.
- In recent years the state has made grants to venture and seed capital firms without becoming a stockholder or requiring a financial return from firms' investments. The amendment creates an exception to constitutional provisions that prohibit the public sector from becoming a stockholder in a private business.

Among the risks identified by Policy Matters Ohio is "that public purposes become indistinguishable from private gain, and public funds are wasted in dubious schemes that produce no economic returns for the state."

Policy Matters Ohio is a non-profit policy research organization founded in January, 2000 to broaden the debate about economic policy in the state. It is based in Cleveland.

The full report is available online at www.policymattersohio.org.

Poll Looks At Issue 1

With less than a month to go to Election Day, 2003, passage of **Issue 1** -- the bond issue component of Gov. Bob Taft's Third Frontier project -- stands solidly in the "uncertain" column. That is according to results of Opinion Strategies' latest poll which show that approximately one-third of those polled oppose the issue; one-third, support it; and one-third, don't know.

However, Opinion Strategies President Thomas Sawyer cautioned that this is still early in the campaign and these findings should be considered a "snapshot" from the last week of September -- about the time the state-wide campaign for **Issue 1** was launched.

Gov. Bob Taft seemed to understand the ambiguity over the issue in his remarks to members of the Ohio Newspaper Association Thursday. Following a pitch for their support for this, and a number of his other