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**OPINION****Governor's plan is irresponsible**

Guest Column: Jeff McLynch

In recent remarks, first to a gathering of the nation's mayors and then again before a collection of governors from across the country, President Barack Obama issued stern warnings to local officials about the use of the billions of dollars in federal stimulus funds they are about to receive.

He pledged that, "if a federal agency proposes a project that will waste that money, I will put a stop to it If a state government does the same, then I will call them out on it and use the full power of my office and our administration to stop it."

Gov. Donald L. Carcieri's ears surely must have been burning during those speeches, for one of his top priorities for the use of federal stimulus funds – tax cuts, tax cuts and more tax cuts – would be among the most wasteful purposes to which those funds could be put.

Carcieri's intentions have been clear for some time. Back in January, in introducing legislation to cut spending by \$240 million in the five months remaining of fiscal 2009, he argued that, should Rhode Island "receive federal stimulus funds, we must ... plan on using most of these funds to lower taxes for individuals and businesses, create jobs and stimulate growth."

Still, getting one's plan out early is no substitute for getting it right – and using federal funds to slash state taxes gets it wrong in a variety of ways.

At its core, the purpose of the \$630 million that Rhode Island will receive over the next few years via an enhanced Federal Medical Assistance Percentage (FMAP) and the State Fiscal Stabilization Fund is to help it shrink its expected budget gap. In turn, these transfers will enable Rhode Island to preserve the public services – such as health care and job training – that will mitigate the impact of the recession on those families most directly affected by it.

After all, to respond to budget deficits, states have just two options – lowering spending or raising taxes. Each of these options will, taken on their own, reduce demand and slow an economic recovery. But, by providing fiscal relief to the states, the federal government can minimize the extent to which states must rely on such options. Using federal fiscal relief for any purpose other than mitigating spending reductions or tax increases – as the governor seeks to do – limits its effectiveness.

The governor has asserted that using federal stimulus funds for anything other than reducing taxes "would be irresponsible." To the contrary, it is the governor's tax-cut plan itself that meets the definition of irresponsible.

It would not simply waste the opportunity to put Rhode Island's fiscal house in order and to prepare for the eventual expiration of federal assistance. Rather, it would leave Rhode Island in a materially worse position for addressing the fiscal and economic challenges ahead.

As a recent report from the Rockefeller Institute concludes, "under any likely scenario ... major fiscal problems for states will return when the new aid from Washington runs out."

Needless to say, this conclusion assumes that, between now and 2012, states will not do anything to actively reduce the yield of their tax systems, but that is precisely what Carcieri seems ready to do.

In sum, in response to the worst economic crisis in decades, the federal government will send more than \$1.5 billion to the Ocean State over the next two years, some \$630 million of which is meant to close projected budget deficits and to support desperately needed public services. Carcieri has a response of his own – a poorly targeted tax plan that would count wealthy heirs and profitable businesses among its principal beneficiaries; that would do little to improve the condition of Rhode Island's economy in the short term; and that would add to the strains on its budget over the long term.

Here's hoping that the president makes good on his pledge. •

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