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Governor's budget plan sparks criticism

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The governor's budget recommendations also alter the state's income tax structure, increasing the earned-income tax credit for low-income households while raising taxes for some Rhode Island couples and individuals making less than \$75,000 annually.

Carcieri's proposed budget also includes a five-year phase-out of the corporate income tax. It would raise the state's cigarette tax by \$1 per pack and slash funding for RIteCare, the state's subsidized health insurance.

"The state can't afford to lose \$95 million in tax revenue at this particular point," said Daniel Beardsley, executive director of the Rhode Island League of Cities and Towns. Cutting taxes for wealthy people and profitable businesses "will do little to improve the economy in the short run and will hurt it in the long run."

Beardsley also called federal stimulus funding a "double-edged sword," expressing concern about whether the state would again be thrown into economic turmoil when recovery aid is cut off in 2012.

Kempe defended the corporate income tax cuts, stating that Rhode Island needs to position itself to be competitive with neighboring states, such as Connecticut and Massachusetts, which have much lower corporate tax rates. "The only way to grow jobs and grow revenue is to grow business," she said.

The next key point in the state's budget proposal process will come at the end of April and beginning of May with the Revenue Estimating Conference, said Russell Dannecker, fiscal policy analyst at the Poverty Institute at Rhode Island College. More significant decisions will be made once current budget projections are reevaluated, he said.

"Whenever we get into these types of (economic) situations, the budgets are always difficult," Dannecker said. "This time there was enough advanced notice of the federal aid that was coming in but it does raise issues in the long term about what to do when the money disappears."

The state legislature will debate the governor's proposal over the next few months before creating its own revised budget for his approval.

"They've got a long road ahead of them in many respects," Beardsley said. "It's going to be a very difficult road over the next five or six months."