



State of Rhode Island and Providence Plantations

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Providence, Rhode Island 02903-1196
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Donald L. Carcieri
Governor

5 February 2009

President Barack Obama
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

I write to you as the governor of a small state being greatly impacted by the economic downturn that has accelerated in recent months. Rhode Island experienced the downturn early---beginning in September, 2007, and we have experienced job losses every month since, leaving our unemployment rate at 10% for December, 2008. As a result, our state revenues have fallen dramatically.

We began a year ago to prepare for the slowing economy by reducing the state government workforce by 12%, mostly through retirements and attrition. We negotiated new state employee contracts providing for increased co-shares and co-pays of health care costs, and provided no wage increases in the current fiscal year. Despite all these changes, we still project a significant deficit for the current year.

This projected deficit has required further cost reductions at the state level in the areas of public employee pensions, local aid to our cities and towns, and human service programs. I have committed to Rhode Island citizens that I will not raise any of our broad-based taxes, and I will preserve the safety net for our most vulnerable citizens.

I am sharing this with you because I know that virtually all states are facing similar circumstances. I also know that your team is working diligently on a stimulus plan. The plan that was passed by the House is, in my judgment, deeply flawed. I have spent over thirty years in business --- ten of them in the banking industry -- and have been governor for six years. This plan, as was confirmed by the CBO analysis, will not produce immediate job growth. Further, it is laden with enormous amounts of spending that have little to do with economic stimulus.

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I believe the economic stimulus plan should strive to achieve these goals.

1. Provide relief for those families that have been affected by unemployment.
2. Provide assistance to state government budgets, to avoid tax increases at the local level.
3. Provide massive tax reductions across the board by lowering withholding rates and putting more disposable income in weekly family paychecks.
4. Provide financing for highway and bridge upgrades.
5. Stabilize the banking and credit system with low interest rates, and absorption of the toxic assets.

These steps will restore confidence on the part of all Americans, and hopefully, stop the slide in home prices. Both of these will lead to the resumption of more normal spending behavior by our citizens, once again providing customers for business. This will be the real engine for job growth.

In Rhode Island's case, approximately 70% of the proposed stimulus is related to fiscal stabilization, Medicaid, and highways and bridges. I assume that for most states, the percentage is similar. These are important and necessary parts of a stimulus plan to help our state and municipalities through this difficult period. However, 30% of the entire stimulus package, or over \$250 billion, is other proposed spending. I would respectfully urge you to re-direct that amount to lower individual tax withholdings. More money in people's take-home pay will restore confidence in every household.

I wholeheartedly agree with you that there is a profound sense of urgency for Congress to enact a stimulus plan. However, the plan that has passed the House contains spending provisions which are ill-advised. Our children will have to pay the bill for this stimulus. It would be better to give them the money now!

Respectfully,



Donald L. Carcieri

cc: Rahm I. Emanuel, Chief of Staff
The Honorable Jack Reed
The Honorable Sheldon Whitehouse
The Honorable Patrick J. Kennedy
The Honorable James R. Langevin