

February 7, 2012

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Dear Representative:

On behalf of the 1.6 million members of the American Federation of State, County and Municipal Employees (AFSCME), I urge you to extend the federal emergency unemployment compensation program for the long-term unemployed and the payroll tax cut through the end of this year without delay. Both of these initiatives, which expire at the end of this month, are essential to sustaining the economic recovery that appears to be gaining some momentum. A failure to extend these key initiatives could very well undermine economic activity and cause severe hardship to millions of families of the long-term unemployed.

We are particularly concerned about proposals that would shorten the number of benefit weeks available under the federal unemployment program and impose policy changes that would create barriers for unemployed workers seeking unemployment benefits. With four unemployed workers for every job opening, the unemployed still face overwhelming odds of finding work despite the positive trend in the unemployment rate, and many localities around the country still are mired in high unemployment rates.

AFSCME also strongly opposes so-called reforms that would establish state waivers, disqualify workers if they do not have a high school degree or are not enrolled in a GED program, and require them to take a drug test. All of these provisions would start to unravel the unemployment insurance program. The education and drug testing requirements are not only mean-spirited and insulting to hard-working Americans who have become unemployed through no fault of their own. They also establish criteria that have nothing to do with the worker's employment history which is, and should continue to be, the only basis for determining their eligibility and benefit amounts.

The proposed waivers would further weaken the unemployment insurance (UI) program by allowing states to open up their trust funds to pay for other purposes when many state trust funds do not even have enough money to pay unemployment benefits. They would create a back door way for states to institute the education and drug testing rules as well as other punitive initiatives, such as a requirement that workers "work off" their benefits in workfare programs. None of these proposals have any place in the UI program. It is wage replacement income that workers have earned to give them time to find other employment and not a social service program.

As for spending offsets, we do not believe that these economically and stimulative emergency measures should have to be paid for. The Bush tax cuts that continue to disproportionately benefit the wealthiest Americans are not paid for. Previous emergency extensions of UI were not paid for. However, if offsets must be part of the legislative package, AFSCME urges increasing taxes on affluent Americans and corporations. No one else in our society benefits from keeping their taxes so low. A very modest 1.9% surtax on income of more than \$1 million would generate \$155 billion over 10 years.

American Federation of State, County and Municipal Employees, AFL-CIO

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At the same time, we urge you to oppose tax increases on families who are barely making ends meet. Specifically, it makes no sense to offset the payroll tax cut with denying the child tax credit to immigrant parents who are not eligible for Social Security numbers and instead file their federal taxes using an Individual Taxpayer Identification Number. Four million poor and near-poor U.S.-born children would be harmed by this proposed offset. Moreover, it would negate the positive effects of the payroll tax cut extension for affected immigrant families, many of whom would experience a net loss in take-home pay. And these taxpaying families would not be the only losers in this robbing Peter to pay Paul scenario: our economy would lose the \$1.38 in economic growth that results from every \$1 spent on child tax credits.

AFSCME also strongly opposes paying for this package by picking the pockets of Medicare beneficiaries, half of whom have annual incomes of \$22,000 or less. We are alarmed that some are considering increasing premiums that will over time affect one in four beneficiaries. Even middle-class seniors are already struggling to maintain their financial and health security. Given that Medicare households spend an average of 15% of their income on health care – nearly triple what those without Medicare spend – it is a spurious and callous claim that increasing premiums will encourage seniors to reduce unneeded health services because they will have more “skin in the game.” Instead, shifting Medicare costs on to beneficiaries will cause many to skip needed services, even among those in the middle class. If savings must be achieved through health programs, other offsets are available that would reduce Medicare spending without shifting greater costs to beneficiaries. For example, applying Medicaid drug rebates to low-income Medicare beneficiaries in Part D would generate significant savings to the federal government without requiring beneficiaries to pay more out of pocket.

We also oppose including the Regulatory Accountability Act (S. 1606) in the overall package. Rather than improve the rulemaking process, this bill is aimed at crippling the ability of agencies to implement laws, no matter how vital they are to safeguarding the public’s health and well-being.

A clean extension of unemployment benefits and the payroll tax reduction is critically important to protecting the economic security of middle-class Americans and keeping our economy on track to full recovery. Any offsets or policy changes should not harm the most vulnerable; rather, the most affluent and corporations should be required to contribute more to the society that enabled them to prosper.

Sincerely,



Charles M. Loveless
Director of Legislation

CML:fb