



October 11, 2007

Via Mail and Facsimile

Honorable Max Baucus  
Chairman  
Committee on Finance  
219 Dirksen Senate Office Bldg.  
Washington, D.C. 20510

Honorable Charles Rangel  
Chairman  
Committee on Ways & Means  
1102 Longworth House Office Bldg.  
Washington, D.C. 20515

Honorable Chuck Grassley  
Ranking Member  
Committee on Finance  
219 Dirksen Senate Office Bldg.  
Washington, D.C. 20510

Honorable Jim McCrery  
Ranking Member  
Committee on Ways & Means  
1102 Longworth House Office Bldg.  
Washington, D.C. 20515

Dear Chairman Baucus, Senator Grassley, Chairman Rangel, and Representative McCrery,

We are writing to urge your strong support for the Unemployment Insurance Modernization Act (S. 1871/H.R. 2233), which is a timely initiative to strengthen the nation's unemployment insurance system by providing significant incentive funding to the states that modernize their programs. Those states that adopt model reforms will qualify for federal funding helping over 500,000 workers a year to better access good jobs and retraining.

U.S. workers from all walks of life and their employers face major challenges negotiating the new economy, especially given the fast pace of globalization, continued layoffs in good-paying manufacturing jobs, and now the growing economic instability caused by the volatile housing market and the record rates of home foreclosures. Unfortunately, the unemployment system has failed to evolve to meet the challenges of the changing economy, as documented by a bi-partisan panel of experts appointed by

Presidents Bush and Clinton in the early 1990s (the Advisory Council on Unemployment Compensation). Of special significance, the Commission concluded that the program, created in 1936, needs to be reformed to respond to the new workforce of low-wage and women workers and an economy that has produced more long-term unemployment experienced by workers of nearly all income and education levels.

The Unemployment Insurance Modernization Act goes a long way to modernize the UI system while rewarding and respecting the rights of the states to improve their UI programs. It would distribute \$500 million from the federal unemployment trust funds to support state administration of the UI program at a time when states have clearly documented that federal funding is insufficient to support UI Administration needs, thus in 2006 requiring approximately three quarters of the states to raise scarce state resources to fill the federal void. It would also provide \$7 billion in "Reed Act" funds as incentive payments to those states that adopt, *or already have in place*, key reforms to help more low-wage and women workers who now fall through cracks of the UI system and provide stronger benefits and training opportunities to those who have been permanently laid off and now find themselves long-term unemployed. The cost of the legislation would be offset by another five-year extension of the .2 percent UI surtax on employers which has been in effect for upwards of 30 years. This proposed extension is supported by the Bush Administration.

Your leadership is critical to the states in providing the federal resources for vitally important services to workers and employers that we administer through the UI system. Now, with the Unemployment Insurance Modernization Act, the opportunity exists to also reform the program to meet the new challenges of the 21<sup>st</sup> Century, building on the model initiatives adopted by our states and many others. Recognizing the critical need for the legislation and the favorable impact it will have on the states, the legislation has already generated bi-partisan support in the U.S. Senate and the official endorsement of the National Conference of State Legislatures.

Therefore, we urge your support for the Unemployment Insurance Modernization Act, and we look forward to working with you on this important issue as you continue your efforts in Congress to deliver on the nation's promise of economic opportunity.

Sincerely,



Governor Eliot Spitzer  
New York



Governor M. Jodi Rell  
Connecticut



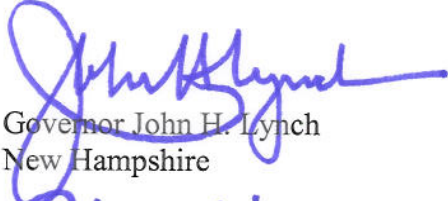
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Iowa



Governor John Baldacci  
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Governor Christine O. Gregoire  
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