109TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
109–569

RAILROAD RETIREMENT TECHNICAL IMPROVEMENT ACT OF 2006

JULY 17, 2006.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. YOUNG of Alaska, from the Committee on Transportation and Infrastructure, submitted the following

R E P O R T

[To accompany H.R. 5074]

[Including cost estimate of the Congressional Budget Office]

The Committee on Transportation and Infrastructure, to whom was referred the bill (H.R. 5074) to amend the Railroad Retirement Act of 1974 to provide for continued payment of railroad retirement annuities by the Department of the Treasury, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE LEGISLATION

The bill amends the Railroad Retirement Act to authorize continuation of the use of the United States Treasury as the disbursing agent for certain railroad retirement benefits, rather than require the outsourcing of that function to a non-federal entity.

BACKGROUND AND NEED FOR THE LEGISLATION

H.R. 5074 was introduced by Mr. Young, Mr. Oberstar, Mr. LaTourette and Ms. Brown on April 4, 2006.

The legislation was suggested by the Railroad Retirement Board (RRB), the Federal agency that administers the Railroad Retirement Act. This proposal grew out of an analysis of the impact of a provision of legislation enacted in the Railroad Retirement and Survivors' Improvement Act (RRSIA) of 2001, Public Law 107–90. As part of a comprehensive reform and modernization package, RRSIA mandated payment of so-called Tier II railroad retirement benefits (the functional equivalent of an industry-wide pension plan) using an outside contracted disbursing agent.

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The RRB and the trustees of the Railroad Retirement Investment Trust created by the RRSIA quickly discovered that use of an outside contractor for this disbursing function would actually cost more than continuing to use the U.S. Treasury Department for this purpose. Therefore, as a temporary measure, the Board sought and received in each ensuing annual appropriations act a legislative waiver of the RRSIA disbursing agent requirement, thus allowing the agency to continue to use the U.S. Treasury Department.

The RRB, the trustees of the Railroad Retirement Investment Trust, railroad management and railroad labor all concurred that switching to a non-Treasury Department disbursing agent made no sense, when this change would incur additional estimated administrative costs of about $3 million per year. Therefore, the Board, with the support of the aforementioned parties, proposed that the Railroad Retirement Act be permanently amended to designate the U.S. Treasury Department as the benefit disbursing agent.

Summary of the Legislation

The legislation amends Section 7(b)(4)(A) of the Railroad Retirement Act of 1974 (45 U.S.C. 231f(b)(4)(A)) to designate the Secretary of the Treasury as the permanent disbursing agent for benefits payable under that Act.

Legislative History and Committee Consideration

No hearings were held by the Committee on H.R. 5074. On April 5, 2006, the Committee met in open session and ordered H.R. 5074 favorably reported by voice vote.

Rollcall Votes

Clause 3(b) of rule XIII of the House of Representatives requires each committee report to include the total number of votes cast for and against on each rollcall vote on a motion to report, and on any amendment offered to the measure or matter, and the names of those members voting for and against. There were no rollcall votes regarding H.R. 5074.

Committee Oversight Findings

With respect to the requirements of clause 3(c)(1) of rule XIII of the House of Representatives, the Committee's oversight findings and recommendations are reflected in this report.

Cost of Legislation

Clause 3(d)(2) of rule XIII of the House of Representatives does not apply where a cost estimate and comparison prepared by the Director of the Congressional Budget Office under section 401 of the Congressional Budget Act of 1974 has been timely submitted prior to the filing of the report and is included in the report. Such an estimate is included in this report.

Compliance With House Rule XIII

1. With respect to the requirement of clause 3(c)(2) of rule XIII of the House of Representatives, and section 308(a) of the Congres-

sional Budget Act of 1974, the Committee references the report of the Congressional Budget Office included below.

2. With respect to the requirement of clause 3(c)(4) of rule XIII of the House of Representatives, the performance goals and objectives of this legislation provide for reduced operating costs for the Railroad Retirement Board and the Railroad Retirement Investment Trust.

3. With respect to the requirement of clause 3(c)(3) of rule XIII of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 5074 from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 21, 2006.

Hon. DON YOUNG,
Chairman, Committee on Transportation and Infrastructure, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5074, the Railroad Retirement Technical Improvement Act of 2006.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Craig Meklir.

Sincerely,

DONALD B. MARRON,
Acting Director.

Enclosure.

H.R. 5074—Railroad Retirement Technical Improvement Act of 2006

Summary: The Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107–90) amended the Railroad Retirement Act to require the Railroad Retirement Board (RRB) to use a nongovernmental financial institution to serve as the disbursing agent for railroad retirement payments to retirees and survivors. H.R. 5074 would eliminate that requirement and permit the RRB to continue to use the Department of Treasury as its disbursing agent for those payments.

CBO estimates that using the Treasury rather than a nongovernmental institution would save about $2 million a year. Assuming that appropriations for the RRB's administrative expenses reflect that change, CBO estimates the bill would reduce outlays by $2 million in 2007 and by $9 million over the 2007–2011 period. H.R. 5074 would not affect either direct spending or revenues.

H.R. 5074 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 5074 is shown in the following table. The savings from this legislation fall within the budget function 600 (income security).

	By fiscal year, in millions of dollars—					
	2006	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	−2	−2	−2	−2	−2
Estimated Outlays	0	−2	−2	−2	−2	−2

Basis of Estimate: The Railroad Retirement and Survivors' Improvement Act of 2001 requires the RRB to use a nongovernmental financial institution as its disbursing agent. However, since 2005, annual appropriation acts have prohibited the RRB from doing so. Consequently, the board currently relies on the Department of Treasury to disburse benefit payments. In the absence of further legislation, the RRB would be required to switch to a nongovernmental institution starting in 2007.

An RRB analysis determined that contracting with a private financial institution would cost $3.0 million in the first year and $2.3 million annually in subsequent years. In comparison, the RRB's reimbursements to the Department of Treasury currently cost about $800,000 per year for the same services.

Based on the RRB's analysis, CBO estimates that using a nongovernmental financial institution as the RRB's disbursing agent would cost $13 million over the 2007–2011 period. The cost to the RRB to maintain its current practice would be $4 million over the same period. Therefore, the bill would reduce the RRB's funding needs by an estimated $9 million over the 2007–2011 period. CBO estimates that, if implemented, the bill would reduce outlays by $2 million in 2007 and $9 million over the 2007–2011 period, assuming that appropriations are adjusted to reflect the bill's requirements.

Intergovernmental and private-sector impact: H.R. 5074 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by: Federal Costs: Craig Mekir. Impact on State, Local, and Tribal Governments: Leo Lex. Impact on the Private Sector: Ralph Smith.

Estimates approved by: Robert A. Sunshine, Assistant Director for Budget Analysis.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the House of Representatives, committee reports on a bill or joint resolution of a public character must include a statement citing the specific powers granted to the Congress in the Constitution to enact the measure. The Committee on Transportation and Infrastructure finds that Congress has the authority to enact this measure pursuant to its powers granted under article I, section 8 of the Constitution.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandate Reform Act (Public Law 104–4).

PREEMPTION CLARIFICATION

Section 423 of the Congressional Budget Act of 1994 requires the report of any Committee on a bill or joint resolution to include a statement on the extent to which the bill or joint resolution is intended to preempt state, local or tribal law. The Committee states that H.R. 5074 does not preempt any state, local or tribal law.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act are created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms or conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104–1).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 7 OF THE RAILROAD RETIREMENT ACT OF 1974

POWERS AND DUTIES OF THE BOARD

SEC. 7. (a) * * *
(b)(1) * * *

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(4)⟦(A) The Railroad Retirement Board, after consultation with the Board of Trustees of the National Railroad Retirement Investment Trust and the Secretary of the Treasury, shall enter into an arrangement with a nongovernmental financial institution to serve as disbursing agent for benefits payable under this Act who shall disburse consolidated benefits under this Act to each recipient. Pending the taking effect of that arrangement, benefits shall be paid as under the law in effect prior to the enactment of the Railroad Retirement and Survivors' Improvement Act of 2001.⟧ *(A) The Secretary of the Treasury shall serve as the disbursing agent for benefits payable under this Act, under such rules and regulations as the Secretary may in the Secretary's discretion prescribe.*

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