



UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
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The Honorable Jacob J. Lew
Director
Office of Management and Budget
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, N.W.
Washington, D.C. 20503

Dear Mr. Lew:

Enclosed is our budget request for fiscal year 2013. We are also submitting our request concurrently to the Congress in accordance with Section 7(f) of the Railroad Retirement Act. Resources for the Office of Inspector General are not addressed in this submission. That office will submit a separate request concerning its needs.

The agency request level of the enclosed budget reflects direct funding of \$117.72 million. This represents the minimum amount that we consider necessary to maintain the RRB's current level of service to the public and continue with ongoing projects to maintain and modernize our information technology (IT) systems. The total would be sufficient to fund 902 full-time equivalent staff (FTEs), which is 4 FTEs less than the RRB's staffing for fiscal year 2011. This budget level would also provide \$6.11 million for IT initiatives, including \$3.56 million for migration of our financial system to a shared service provider.

In compliance with guidance in OMB Memorandum M-11-30, dated August 17, 2011, our fiscal year 2013 budget submission also includes two lower levels: an OMB guidance level representing a 5 percent reduction from the RRB's fiscal year 2011 appropriation, and a reduced budget level, representing a 10 percent reduction from fiscal year 2011.

The guidance level of the budget totals \$103.41 million, and provides sufficient funding for 835 FTEs – 7.4 percent less than our requested staffing level. Budget projections show that the agency could reach this level without a reduction-in-force by relying on attrition. At this budget level, funding for IT investments would be reduced by \$5.11 million, to a total of \$1 million, which would be available for only the highest priority needs at the time.

The reduced budget level totals \$97.97 million, which would be sufficient for only 790 FTEs – 12.4 percent less than our requested staffing. To reach this level, the RRB would need to conduct a reduction-in-force (RIF) early in the fiscal year at an estimated cost of \$900,000 to reduce staffing by about 45 employees. Funding for IT initiatives would be reduced to a total of only \$500,000 at this level, providing resources for emergency needs only.

The guidance and reduced budget levels for fiscal year 2013 pose special problems for the RRB, because we need to provide for succession planning and IT development to ensure that the agency can continue to provide excellent service to the public in future years. Like many agencies, the RRB has an aging workforce. About 70 percent of our employees have over 20 years of service, and over 40 percent of RRB employees will be eligible for retirement by fiscal year 2013. To prepare for the expected turnover, we need to recruit and train qualified staff to fill the expected vacancies, but at the lower budget levels we would need to freeze hiring instead.

IT initiatives are also important to the RRB because the agency is highly dependent on automated systems to manage workloads and provide services. In recent years, we have made great progress in this area, expanding the services that we provide through the Internet and implementing nationwide toll-free telephone service. Much more remains to be done, though. At the agency request level of the budget, funding would be available to continue with an important project to migrate our financial system to a shared service provider, continue with E-Government initiatives, and maintain our network operations and infrastructure. At the lower budget levels, we would need to defer most network maintenance and delay or defer most other initiatives.

In addition to requests for administrative expenses, this budget submission includes our best actuarial estimate of the expected fiscal year 2013 costs of vested dual benefits, \$45 million, with a 2 percent reserve of \$900,000. The RRB also requests \$548,378,840 for applicable military service credits through December 2009, with interest through September 1, 2011.

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Finally, included in the budget submission are two agency legislative proposals. One would amend the Railroad Retirement Act to require issuance of social security numbers to employees of covered railroad employers. The other would amend the Railroad Retirement Act to allow the RRB to use various hiring authorities offered by the Office of Personnel Management.

As required by Section 1108(c) of Title 31, United States Code, we certify that all statements of obligations furnished to OMB in connection with our requests for proposed appropriations for fiscal year 2012 consist of valid obligations as defined in Section 1501(a) of that title.

Sincerely,

Original Signed
Michael S. Schwartz, Chairman
V. M. Speakman, Jr., Labor Member
Jerome F. Kever, Management Member

September 8, 2011

Enclosure