

JUSTIFICATION OF ESTIMATES

The Administration's Proposed Appropriation Language

FEDERAL PAYMENTS TO THE RAILROAD RETIREMENT ACCOUNTS

For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest earned on unnegotiated checks, \$150,000, to remain available through September 30, 2013, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76.

Note. – A regular 2011 appropriation for this account had not been enacted at the time this budget justification was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended). The amounts included for 2011 in this budget justification reflect the annualized level provided by the continuing resolution.

Explanation of Proposed Appropriation Language

| <u>Appropriation language</u> | <u>Explanation</u> |
|--|---|
| <i>For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest earned on unnegotiated checks, \$150,000, to remain available through September 30, 2013, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76.</i> | <p>Section 417 of Public Law 98-76 (Railroad Retirement Solvency Act of 1983) amended the Railroad Retirement Act of 1974 to provide for monthly transfers from the Treasury of amounts for benefit checks drawn 6 months earlier and not presented for payment.</p> <p>Since fiscal year 1991, the RRB does not receive credits to this account for the principal amount of uncashed railroad retirement checks under provisions of the Competitive Equality Banking Act of 1987. Instead, such funds, which are appropriated to the Treasury, are transferred directly to the railroad retirement accounts and the Dual Benefits Payments Account. Interest on uncashed railroad retirement checks, however, must still be appropriated in advance to this account.</p> |

Authorizing Legislation

| Legislation | 2011 CR | | 2012 | |
|---|-------------------|-------------------------|-------------------|------------------------------|
| | Authorized | Current estimate | Authorized | Appropriation request |
| Railroad Retirement Solvency Act of 1983, Section 417 | Indefinite | \$150,000 <u>a/</u> | Indefinite | \$150,000 |
| Competitive Equality Banking Act of 1987, Section 1003 | | | | |
| Railroad Retirement Act of 1974, as amended, Section 15(i)(2) | | | | |

"The Secretary of the Treasury shall, on a monthly basis, credit each account established in the Treasury for the payment of benefits under this Act for the proportionate amount of benefit checks (including interest thereon) drawn on each such Account more than six months previously but not presented for payment and not previously credited to such Account, to the extent provided in advance in appropriation Acts."

Appropriations History Table

| <u>Fiscal year</u> | <u>Budget estimate to the Congress</u> | <u>House allowance</u> | <u>Senate allowance</u> | <u>Appropriation</u> |
|---------------------------|---|-------------------------------|--------------------------------|-----------------------------|
| 2003 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| 2004 | 150,000 | 150,000 | 150,000 | 150,000 |
| 2005 | 150,000 | 150,000 | 150,000 | 150,000 |
| 2006 | 150,000 | 150,000 | 150,000 | 150,000 |
| 2007 | 150,000 | 150,000 | 150,000 | 150,000 |
| 2008 | 150,000 | 150,000 | 150,000 | 150,000 |
| 2009 | 150,000 | 150,000 | 150,000 | 150,000 |
| 2010 | 150,000 | 150,000 | 150,000 | 150,000 |
| 2011 CR | 150,000 | --- | --- | 150,000 <u>a/</u> |
| 2012 | 150,000 | | | |

a/ Represents the annualized level of funding provided through March 4, 2011, under P.L. 111-242, the Continuing Appropriations Act, 2011, as amended.

Note: Amounts appropriated are available for 2 years.

Federal Payments to the Railroad Retirement Accounts
(Appropriations for Uncashed Checks)

Amounts Available for Obligation

| | <u>Fiscal year 2010 actual</u> | <u>Fiscal year 2011 CR</u> | <u>Fiscal year 2012 estimate</u> |
|------------------------------------|---|---------------------------------------|---|
| Appropriation | \$150,000 | \$150,000 <u>b/</u> | \$150,000 |
| Plus: | | | |
| Unobligated balance, start of year | <u>150,000 a/</u> | <u>150,000 a/</u> | <u>150,000 a/</u> |
| Subtotal: | \$300,000 | \$300,000 | \$300,000 |
| Less: | | | |
| Unobligated balance, end of year | <u>247,908</u> | <u>198,000</u> | <u>198,000</u> |
| Total obligations | <u>\$ 52,092</u> | <u>\$102,000</u> | <u>\$102,000</u> |

a/ Of the total end of year unobligated balance, only the \$150,000 appropriated in the previous fiscal year is brought forward into the subsequent fiscal year.

b/ Represents the annualized level of funding provided through March 4, 2011, under P.L. 111-242, the Continuing Appropriations Act, 2011, as amended.

Explanation of 2012 Request

Prior to enactment of Section 417 of the Railroad Retirement Solvency Act of 1983, amounts for uncashed benefit checks were not credited to the Railroad Retirement Accounts. Section 417 provided a two-part process for recovering unnegotiated benefit check amounts. The first part, represented by the 1985 appropriation request, was a catch-up mechanism to credit the accounts with the amount of all uncashed checks issued prior to May 1985, that the Treasury and the RRB could jointly identify from accounting records. The amount agreed upon and appropriated in 1985 was \$15 million and was to remain available through September 30, 1986.

The second part of the process went into effect for checks issued on and after May 1, 1985. From that date, on a monthly basis, the Treasury transferred to the account amounts represented by checks drawn 6 months earlier and not presented for payment. These amounts were provided for, in advance, in appropriation acts. For fiscal year 1991 and thereafter, the RRB is to seek appropriation authority only for the interest earned on unnegotiated checks. Under provisions of the Competitive Equality Banking Act of 1987, the principal amount of uncashed railroad retirement checks is to be appropriated to the Treasury, which in turn shall transfer such amounts directly to the appropriate RRB accounts.

The appropriation proposed for fiscal year 2012 provides that funds would be available for 2 years, through September 30, 2013.