UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-2092

BOARD MEMBERS:

CHERRYL T. THOMAS, CHAIR
V.M. SPEAKMAN, JR., LABOR MEMBER
JEROME F. KEVER, MANAGEMENT MEMBER

February 17, 2000

Honorable Albert Gore, Jr.
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

In compliance with Office of Management and Budget (OMB) Circular No. A-11, enclosed is our Congressional Justification of Budget Estimates for Fiscal Year 2001. This budget complies with OMB guidance on preparation of the fiscal year 2001 budget and is in accordance with the President's proposals.

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB's primary function is to administer comprehensive retirement/survivor and unemployment/sickness insurance benefit programs for the nation's railroad workers and their families under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage. It also assists in the administration of the Internal Revenue Code.

The President's proposed budget for RRB administrative expenses in fiscal year 2001 totals $92.5 million. The Annual Performance Plan for Fiscal Year 2001 contained in the Congressional Justification reflects the President's proposed administrative budget. However, this agency needs an additional $2.5 million, or $95 million, to provide appropriate service to our customers. With a budget totaling $95 million, we will be able to improve performance levels and fund the fiscal year 2001 portion of our multi-year automation improvement initiatives, which will establish the foundation for future staff savings and service improvements.

Printed on recycled paper/with soy ink

In fiscal year 1999, the RRB received $89.9 million and was able to meet or exceed most of our performance goals. Even though much of our efforts were put toward completing our Year 2000 (Y2K) preparations, we were able to dedicate resources to planning our technology initiatives that would be needed in the future. In the years preceding fiscal year 1999, we used our automation initiatives wisely, allowing us to reduce our staffing levels by more than 30 percent since 1993. During this period, we improved the level and quality of customer service. Fully recognizing that, over time, we can and must perform our mission more efficiently, our strategy was to position ourselves to move forward with numerous automation initiatives so that we could operate more efficiently in the future.

However, our budget for fiscal year 2000 has not allowed us to carry on as planned. The amount appropriated was greater than the President's budget for the RRB, but was $3.345 million less than the RRB requested during the March 1999 appropriation hearing and required us to adjust our plans for the future. To meet this reduced budget, we conducted a buyout of over 60 employees, and the agency is still adjusting to the impact of this loss. Instead of waiting to reduce our staffing level when our automation initiatives were in place, we needed to reduce it before implementing our automation initiatives. We had intended a smooth transition for our customers until the automation was developed and we could have downsized in a more orderly fashion. However, with these recent staff reductions, we fear that our performance levels for fiscal year 2000 may be somewhat lower than those levels set in fiscal year 1999.

Fiscal year 2001 is going to be an important year for the RRB. It is imperative that we receive the $95 million administrative budget as requested. The major difference between receiving an administrative budget of $95 million and $92.5 million is the additional amounts we would have to fund our highest priority information technology investments. These important investments include projects that have been deferred due to lack of funding in fiscal year 2000, continuing demands to maintain our technology infrastructure, on-going development of new systems and various requirements pursuant to Federal mandates. The automation investments are listed on page 47 and additional information on pages 67 to 70 of the Congressional Justification. The bottom line is that our performance for fiscal year 2001 may fall short of our performance for fiscal year 1999 even at $95 million. We will make every effort to return to fiscal year 1999 levels in the future, but it will be dependent upon our automation initiatives being funded in fiscal year 2001.

Our cost projections for salary and benefits in fiscal year 2001 reflect actual increases effective in January 2000 and an estimated 3.7 percent increase expected in January 2001. After providing for essential non-compensation expenses, the total proposed funding will result in an agency staffing level which is about 24 FTE's less than the RRB currently expects to use in fiscal year 2000.

It should also be noted that our budget request assumes that the RRB, as a trust fund agency, will continue to pay actual costs to the General Services Administration (GSA) for rental of space. If GSA were to charge the RRB the commercially equivalent rate for space in fiscal year 2001, our rental costs and total costs would increase by approximately $3.8 million.

In addition to the requests for administrative expenses, the President's budget includes $160 million to fund the continuing phase-out costs for vested dual benefits. An additional reserve amount of $3.2 million would also become available to pay for vested dual benefits if the product of recipients and the average benefit received exceeds $160 million. Also presented in the budget is a request for $150,000 for interest related to uncashed railroad retirement checks. The $150,000 is being requested for a 2-year period, and would be available through September 30, 2002. All of the amounts presented in this letter exclude funding for the RRB Office of Inspector General, which submits a separate budget and annual performance plan.

We appreciate your attention to this matter.

Sincerely,

Cherryl T. Thomas

Cherryl T. Thomas

V. M. Speakman, Jr.

V. M. Speakman, Jr.

Jerome F. Kever

Jerome F. Kever

Enclosure

cc: Honorable Jacob J. Lew, Director
Office of Management and Budget