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THE RAILROAD EMPLOYEE EQUITY AND
FAIRNESS (REEF) ACT

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. 1274



APRIL 10, 2024.—Ordered to be printed

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THE RAILROAD EMPLOYEE EQUITY AND FAIRNESS
(REEF) ACT

APRIL 10, 2024.—Ordered to be printed

Mr. WHITEHOUSE, from the Committee on the Budget,
submitted the following

R E P O R T

[To accompany S. 1274]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Budget, to which was referred the bill (S. 1274) to permanently exempt payments made from the Railroad Unemployment Insurance Account from sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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I. PURPOSE

S. 1274, the Railroad Employee Equity and Fairness Act, modifies the Continued Assistance to Rail Workers Act of 2020 to permanently exempt payments made from the Railroad Unemployment Insurance Account from sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985.

II. BACKGROUND

Railroad workers receive unemployment benefits through a system that is administered by the U.S. Railroad Retirement Board (RRB), which also disburses sickness benefits. The system is funded by the railroad industry through payroll taxes and employer surcharges that pay into a dedicated trust fund.

The Budget Control Act of 2011 created an across-the-board cut (“sequestration”) for certain mandatory spending programs, including railroad unemployment and sickness insurance benefits. Sequestration has been extended by subsequent legislation as an offset, most recently in the 2021 bipartisan Infrastructure Investment and Jobs Act (P.L. 117–58).

Most federal safety net programs and regular unemployment insurance and sickness benefits are exempt from sequestration by law, but Railroad Unemployment Insurance Act (RUIA) benefits are not. During the COVID–19 national emergency, the sequestration on these rail worker benefits were paused for 3 years; when the national emergency declaration was terminated, so was this pause on sequestration. On May 10, 2023, the sequestration reduction of 5.7 percent resumed, causing affected rail workers to see real cuts in these benefits. Railroaders who rely on RUIA benefits receive a flat rate of \$87 per day, meaning workers now lose up to \$50 per 2-week benefit period from an already modest stipend.

To address this, S. 1274 permanently exempts railroad unemployment and sickness insurance benefits from sequestration. If S. 1274, or identical provisions, are not signed into law, sequestration will result in a 5.7 percent reduction in railroad unemployment and sickness benefits through fiscal year 2030.

III. LEGISLATIVE HISTORY

Senator Deb Fischer (R–NE) introduced S. 1274 on April 25, 2023. The bill was read twice and referred to the Senate Committee on the Budget. The Senate Committee on the Budget held a markup of S. 1274 on March 6, 2024, at which it reported the measure favorably without amendment.

At the time of committee action, the Railroad Employee Equity and Fairness Act was co-sponsored by Senators Amy Klobuchar (D–MN), Sherrod Brown (D–OH), Pete Ricketts (R–NE), Bernard Sanders (I–VT), Shelley Moore-Capito (R–WV), Mike Braun (R–IN), Robert Casey (D–PA), Tammy Baldwin (D–WI), Mike Crapo (R–ID), Roger Marshall (R–KS), Angus King (I–ME), and Josh Hawley (R–MO); Senators Klobuchar and Brown were original cosponsors.

IV. SECTION-BY-SECTION ANALYSIS

Section 1. Short titles

This section identifies the short title as the “Railroad Employee Equity and Fairness Act” or the “REEF Act.”

Section 2. Treatment of payments from the Railroad Unemployment Insurance Account

This section amends section 235 of the Continued Assistance to Rail Workers Act of 2020 (subchapter III of title II of division N of Public Law 116–260; 2 U.S.C. 906 note) to permanently exempt

payments made from the Railroad Unemployment Insurance Account from sequestration. This section provides that the amendments made shall apply as if enacted on the day before the May 10, 2023, termination of the national emergency concerning the novel coronavirus disease (COVID-19) outbreak declared by the President on March 13, 2020, under the National Emergencies Act (50 U.S.C. 1601 et seq.).

V. CBO COST ESTIMATE

Under the Congressional Budget Office estimate, provided in full below, and without changes to the bill, the legislation would be subject to budget points of order when considered on the Senate floor.

At a Glance			
S. 1274, Railroad Employee Equity and Fairness Act			
As reported by the Senate Committee on the Budget on March 6, 2024			
By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	6	48	67
Revenues	0	44	57
Increase or Decrease (-) in the Deficit	6	4	10
Spending Subject to Appropriation (Outlays)	0	0	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	Yes
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2035?	< \$5 billion	Mandate Effects	
		Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

Bill Summary: S. 1274 would permanently exempt railroad employees' unemployment and sickness benefits from sequestration starting May 10, 2023.

Estimated Federal cost: The estimated budgetary effect of S. 1274 is shown in Table 1. The costs of the legislation fall within budget function 600 (income security).

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF S. 1274

	By fiscal year, millions of dollars—												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024–2029	2024–2034
	INCREASES IN DIRECT SPENDING												
Estimated Budget Authority	6	7	8	9	9	9	9	10	0	0	0	48	67
Estimated Outlays	6	7	8	9	9	9	9	10	0	0	0	48	67
	INCREASES OR DECREASES (–) IN REVENUES												
Estimated Revenues	0	*	1	4	17	22	10	*	–1	4	*	44	57
	NET INCREASE OR DECREASE (–) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Effect on the Deficit	6	7	7	5	–8	–13	–1	10	1	–4	*	4	10

* = between –\$500,000 and \$500,000.

Basis of estimate: CBO assumes that the bill will be enacted in the middle of fiscal year 2024. Estimated outlays are based on historical patterns for railroad unemployment and sickness benefits.

Direct Spending: S. 1274 would increase railroad unemployment and sickness benefits paid after May 10, 2023, by excluding them from sequestration, or the cancellation of budgetary resources. Under current law, those benefits are reduced by 5.7 percent annually through 2031. The Consolidated Appropriations Act, 2021 suspended sequestration for those benefits over the period from January 3, 2021, to May 9, 2023. S. 1274 would extend that waiver retroactive to May 10, 2023, and would make it permanent.

CBO expects that, under the bill, the Railroad Retirement Board (RRB) would make retroactive payments to railroad workers whose benefits were reduced between May 10, 2023, and the date of enactment and that the RRB would increase benefit payments in the future. Using information from the RRB, CBO estimates that enacting S. 1274 would increase direct spending by \$67 million over the 2024–2034 period.

Revenues. Railroad unemployment and sickness benefits are paid from payroll taxes that are levied on employers and deposited into a trust fund. To ensure the funds solvency, a surcharge is imposed on employers when the balance falls below a threshold. Based on information provided by the RRB, CBO anticipates that the additional payments required under S. 1274 would trigger a surtax in some years that would result in additional collections from employers. Surtaxes are imposed in years that follow declines in trust fund balances, and the addition of compensating revenues thus would tend to lag behind the higher payments to beneficiaries. In addition, the higher payroll taxes paid by employers in those years would tend to reduce employees earnings, which are used to determine workers income and payroll taxes. As a result, CBO estimates that part of the increase in revenues under the bill would be offset by declines in those workers' income and payroll taxes. Using information from the RRB, CBO estimates that enacting S. 1274 would increase federal revenues, on net, by \$57 million over the 2024–2034 period.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 2.

TABLE 2.—CBO'S ESTIMATE OF THE STATUTORY PAY-AS-YOU-GO EFFECTS OF S. 1274, THE RAILROAD EMPLOYEE EQUITY AND FAIRNESS ACT, AS REPORTED BY THE SENATE COMMITTEE ON THE BUDGET ON MARCH 6, 2024

	By fiscal year, millions of dollars—													
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034	
	NET INCREASE OR DECREASE (–) IN THE DEFICIT													
Pay-As-You-Go Effect	6	7	7	5	–8	–13	–1	10	1	–4	0	4	10	
Memorandum:														
Changes in Outlays	6	7	8	9	9	9	9	10	0	0	0	48	67	
Changes in Revenues	0	0	1	4	17	22	10	0	–1	4	0	44	57	

Increase in long-term net direct spending and deficits: CBO estimates that enacting S. 1274 would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2035.

CBO estimates that enacting S. 1274 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2035.

Mandates: The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Estimate prepared by: Federal Costs: Meredith Decker; Revenues: Kurt Seibert; Mandates: Erich Dvorak.

Estimate reviewed by: Elizabeth Cove Delisle, Chief, Income Security Cost Estimates Unit; Josh Shakin, Chief, Revenue Estimating Unit; Kathleen FitzGerald, Chief, Public and Private Mandates Unit; Christina Hawley Anthony, Deputy Director of Budget Analysis; John McClelland, Director of Tax Analysis.

Estimate approved by: Phillip L. Swagel, Director, Congressional Budget Office.

VI. REGULATORY IMPACT STATEMENT

The bill, as reported, will resume the recent pause on sequestration of exempting these rail worker benefits. In consultation with the Railroad Retirement Board, the committee estimates that enactment of S. 1274 would not significantly affect regulatory activities.

VII. COMMITTEE VOTE

The Committee on the Budget considered S. 1274 at a business meeting on March 6, 2024. With a quorum present, the bill was order reported favorably by a roll call vote of 21 yeas and no nays. No amendments were offered or voted upon. Senators voted as follows:

YEAS—21	NAYS—0
Sen. Whitehouse	
Sen. Murray	
Sen. Wyden	
Sen. Stabenow	
Sen. Sanders *	
Sen. Warner *	
Sen. Merkley	
Sen. Kaine	
Sen. Van Hollen	
Sen. Luján	
Sen. Padilla *	
Sen. Grassley	
Sen. Crapo *	
Sen. Graham *	
Sen. Johnson	
Sen. Romney *	
Sen. Marshall	
Sen. Braun *	
Sen. Kennedy *	
Sen. Scott *	
Sen. Lee *	

* By proxy.

VIII. CHANGES TO EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, 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 material is printed in italic, existing law in which no change is proposed is shown in roman):

CONSOLIDATED APPROPRIATIONS ACT, 2021

* * * * *

Subchapter III—Continued Assistance to Rail Workers

* * * * *

SEC. 235. TREATMENT OF PAYMENTS FROM THE RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT.

(a) IN GENERAL.—Section 256(i)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 906(i)(1)) is amended—

- (1) in subparagraph (B), by striking “and” at the end;
- (2) in subparagraph (C), by inserting “and” at the end; and
- (3) by inserting after subparagraph (C) the following new subparagraph:

“(D) any payment made from the Railroad Unemployment Insurance Account (established by section 10 of the Railroad Unemployment Insurance Act) for the purpose of carrying out the Railroad Unemployment Insurance Act, and funds appropriated or transferred to or otherwise deposited in such Account.”

(b) EFFECTIVE DATE.—The treatment of payments made from the Railroad Unemployment Insurance Account pursuant to the amendment made by [subsection (a)—] *subsection (a) shall take effect 7 days after the date of enactment of the Continued Assistance to Rail Workers Act of 2020.*

[(1) shall take effect 7 days after the date of the enactment of this Act; and]

[(2) shall apply only to obligations incurred during the period beginning on the effective date described in paragraph (1) and ending on the date that is 30 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020, under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.]

[(c) SUNSET.—The amendments made by subsection (a) shall be repealed on the date that is 30 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020, under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.]