

EFFECT OF SEQUESTRATION ON RAILROAD UNEMPLOYMENT AND SICKNESS BENEFITS

- Railroad employees are not covered by state unemployment systems. Rather the Railroad Retirement Board (RRB) administers a nationwide Unemployment and Sickness program for approximately 250,000 qualified railroad workers. For FY16, the RRB paid approximately \$133.3 million dollars in net unemployment and short-term sickness benefits to about 33,700 railroad employees.
- These unemployment and short-term sickness benefits are funded exclusively by contributions from rail employers and paid by the RRB to eligible employees under the Railroad Unemployment Insurance Act (RUIA).¹ No portion of these benefits or the associated administrative costs are funded by taxpayers through the appropriations process.
- These benefits are subject to sequestration. Current sickness and unemployment benefits are set at a maximum of \$72.00 per day or \$720.00 per two week or 10-day claim period. However, this benefit rate has been reduced by sequestration in effect since FY 2013 due to the Budget Control Act of 2011. The actual maximum benefit currently paid is \$672.48 per 10-day claim period which is a 6.6% reduction. See attached Press Release No. 17-5.
- Any further reduction resulting from another sequestration would significantly degrade the benefit protections enacted by Congress and harm those employees suffering either unemployment or sickness. For example, if 100% sequestration is triggered by PAYGO rules, railroad employees eligible for sickness and unemployment benefits would receive **nothing**. Their benefit payments would zero out.
- As mentioned above, these benefits are funded by employer contributions. So while benefits would zero out, the trust fund that pays these benefits would continue to accumulate funds contributed from the employers. Neither the federal government nor railroad employees will benefit from the accumulation of these funds.
- Because employer contributions to the trust fund are based on benefits paid, eventually employer contributions would be zero. Railroad employers, however, would still be required to pay the annual administrative charge of 0.65%. The excess of the 0.65% administrative contributions over the actual administrative cost will increase the trust account balance.
- While unemployment and sickness benefits received by railroad employees are subject to sequestration, comparable State benefits are not subject to sequestration.
- Similarly, the retirement, disability, spouse and survivor benefits administered by the RRB are exempt from sequestration under section 255 of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA).

¹ 45 U.S.C. §§ 351-369.