Congressional Budget Office
Cost Estimate

March 15, 2024

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 *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	< $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Exempt railroad unemployment and sickness benefits from sequestration

Estimated budgetary effects would mainly stem from

- Increasing benefit payments for unemployed or sick railroad workers

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

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 fund's 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.

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