

What Every Member Needs to Know About the Postal Service Relief Act (H.R. 22)

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Background:

The United States Postal Service (USPS) continues to struggle with controlling costs. Labor costs consume 80 percent of USPS' revenue whereas UPS and FedEx spend only 65 percent and 47 percent of their revenues on labor. USPS is currently providing its workers roughly 13 percent more in health care and other benefits than other federal workers receive. And with 400 mail processing facilities, exceeding capacity need by 50 percent, and 37,000 retail facilities nationwide, USPS has far too much overhead. This inability to control costs has only been compounded by the drop in volume of delivered mail (which USPS has a monopoly on) and the economic downturn. USPS faces \$7 billion in losses in FY 2009 and a debt that has ballooned to an estimated \$13.2 billion in 2010. It is now championing legislation—H.R. 22, the U.S. Postal Service Finance Relief Act—to allow it to tap a federal retiree health account for its own workers to pay current expenses.

A Recent History of Bailouts:

In 1970, USPS was converted into a self-financed entity (albeit still an independent government agency), taking on both the system's assets *and its liabilities*. From there on out, USPS was supposed to pay its way. However, in recent years, Congress has passed legislation to relieve USPS of its debts—and thus transfer its liabilities from rate-paying customers to taxpayers. In 2003, Congress decided that USPS had "overpaid" its Civil Service Retirement System (CSRS) costs, meaning that it *was on schedule* to overpay its pension obligations at its current contribution rate at a date far in the future. Rather than let USPS spend all of the money retained from reducing these contributions, an escrow account within the U.S. Treasury was established until a further assessment could be made of USPS long-term responsibilities. However, USPS received an immediate infusion of \$7.1 billion for their operating expenses. In 2006, USPS again petitioned Congress for taxpayers to absorb the cost of paying for the pensions of certain USPS employees and to let them access the escrow account. While again infusing the USPS with \$1.5 billion for its operating expenses (\$5.9 billion was initially proposed), Congress agreed to the request BUT required it to pre-fund its substantial health care liabilities *that otherwise U.S. taxpayers must pay* by paying into a special federal fund each year. Now, USPS is requesting its third billion dollar bailout in eight years and seeking to tap this account to pay its current bills.

Postal Service Financial Relief Act:

Specifically, H.R. 22 allows the USPS to tap the Retiree Health Benefit Fund by \$6.7 billion over three years to pay current retirees' health insurance premiums and supplement losses expected from 2009 through 2011. Currently, the Fund is set aside for future retirees and is off limits to USPS until those workers begin to retire. H.R. 22 would actually exacerbate USPS' inability to control spending, according to CBO, because it would delay current cost-cutting plans initiated in the beginning of 2009 to face fiscal challenge, saving \$2.5 billion *less*. H.R. 22 "would lead the agency to alter its cost-reduction program by cutting spending less aggressively than it would without the legislation. Consequently, enacting this legislation would increase net postal outlays relative to current law." Even if H.R. 22 is passed, the Postmaster General has stated that USPS will still be unable to make the required upcoming \$5.4 billion payment to the Fund on September 30, 2009.

True Reform Instead:

USPS has been presented with numerous options that could help improve its fiscal outlook without a bailout from the Retirement Health Benefit Fund. One of the most notable options is to reduce postal service from six to five days each week, which the Postmaster General says offers potential annual savings of \$3.8 billion. In addition, GAO has recommended a number of changes to cut costs, including shuttering and consolidating unnecessary facilities. Waste, fraud, and abuse could also be eliminated. For example, the Federal Times reported on September 7, 2009, that more than 1,100 USPS employees are being paid more than \$50 million a year to "sit in empty rooms and do nothing." Instead of working with USPS on real reform, H.R. 22 continues Congresses' recent pattern of bailing it out of making tough decisions at the expense of American taxpayers.

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