History of Postal Reform Legislation

Background

Following the Postal Office Department strike of 1970, the Nixon administration, working with the postal unions and Congress, sought to reorganize the taxpayer-supported Post Office into a self-sustaining enterprise. The resulting legislation, the Postal Reorganization Act of 1970 (PRA), established the United States Postal Service. The law granted the agency financial and operational independence from the rest of the government and gave postal employees the right to collective bargaining over wages, hours and working conditions.

The policy changes made by the PRA were a tremendous success. Taxpayer subsidies, which accounted for 25% of the Post Office's budget in 1970, were eliminated, saving taxpayers more than $100 billion since 1971. Meanwhile, the quality of service and employee living standards were greatly improved and mailers enjoyed affordable and stable postage rates for decades.

By 2006, however, the PRA required changes to help the Postal Service address technological change and to improve the costly system of rate-setting established by the 1970 law. Congress decided to implement a system of rate regulation that indexed postage rates for letter mail and other so-called Market Dominant products to general inflation (the CPI). It also decided to subject the pricing of so-called Competitive Products to regulation by the Postal Regulatory Commission (PRC) – to prevent cross-subsidization from monopoly products and to ensure that all products and shippers cover the cost of service and contribute towards the Postal Service's network overhead costs. These provisions, among others, were included in the Postal Accountability and Enhancement Act (PAEA) of 2006.

In view of the decline in letter mail volume caused by technology and the Great Recession, a CPI-based price cap no longer seems sensible. Fortunately, this price cap is now the subject of a formal review by the Postal Regulatory Commission, which is empowered to develop an alternative system of rate regulation under the PAEA after 10 years.

The Postal Service and its unions proved remarkably capable of overcoming the challenges posed by the Great Recession. We've adapted well to the decline in letter mail volume and the huge increase in package volumes due to the boom in e-commerce. Unfortunately, we have not been able to overcome the other major legacy of the PAEA: The mandate to prefund future retiree health insurance expenses decades in advance at a cost of $5.5 billion per year. No other enterprise in the country, private or public, faces such a costly mandate.

Over the past 11 years, this unreasonable mandate has accounted for 88.3% of the Postal Service's $65 billion in reported losses. Over the past five years (2013-2017), in the aftermath of the Great Recession, prefunding accounts for 100% of the agency's losses.

Prior to 2006, the Postal Service handled its retiree health expenses on a Pay-As-You-Go basis, meaning retiree health care premiums were paid as they were incurred – just as most companies did and do, and just as all other agencies (including Congress) did and still do. As Congress considered postal reform legislation in 2006, the Bush administration insisted on the insertion of language requiring the Postal Service to begin prefunding such premiums – funding retiree health the way pensions are funded. The language set up a 10-year schedule of payments (starting at $5.4 billion in 2006 and rising to $5.8 billion in 2016) and required the Postal Service to make actuarially determined payments (normal cost and amortization payments) beginning in 2017.

Initially, the Postal Service was able to make the payments, building a nest egg of more than $50 billion in its Postal Service Retiree Health Benefit Fund (PSRHBF). But with the recession and the overly stringent price cap put into place by the PAEA, the USPS soon found that it could no longer afford to make the prefunding payments, despite exhausting its credit limit of $15 billion. It has not made a prefunding payment since 2012, though the $38 billion in missed payments are carried as a liability on the Postal Service's balance sheet.

The Postal Service undertook a massive downsizing of its networks, slashing over 200,000 jobs, closing and consolidating hundreds of mail processing plants and facilities, and rolling back service standards. But it has been clear for years that Congress must act to reconsider the disastrous prefunding policy. For more than 10 years, Congress and postal stakeholders have struggled to reach consensus on postal reform legislation. Although both business and labor stakeholders have come together in a coalition for reform, Congress has failed to act. The section below summarizes the tangled history of these postal reform efforts.

Status of Postal Reform in Recent Congresses

112th Congress

In May 2011, Senator Carper introduced S. 1010, the Postal Operations Sustainment and Transformation Act (POST) Act. It called for using a large pension surplus ($55 billion) — which was revealed in the Postal Service's CSRS pension account by a 2010 audit conducted by the Segal Company for the Postal Regulatory Commission — to cover the cost of pre-funding.

The idea, which called for the adoption of private sector best practices for pension valuation, had broad bipartisan support in the House of Representatives as more than 240 Members of Congress co-sponsored H.R. 1351 (the United States Postal Service Pension Obligation Recalculation and Restoration Act of 2011). The bill mandated the implementation of the private sector pension valuation methods called for by the Segal audit. Such methods revealed a $50-$55 billion surplus in the USPS's CSRS pension account – a figure that has now grown to $80 billion.

Since current law already requires that any such surplus be transferred to the Postal Service Retiree Health Benefit Fund (PSRHBF) at fixed intervals (2015, 2025, 2035 and 2037), both bills (S. 1010 and H.R. 1351) would have resolved the pre-funding burden.

Both bills stalled due to opposition in the House of Representatives. House, Rep. Darryl Issa, Chairman of the Oversight and Government Reform Committee, opposed the Segal audit's findings and refused to mark-up H.R. 1351. Instead he proposed his own bill (H.R. 2309) to massively downsize the Postal Service, which attracted just one co-sponsor.

In November, 2011 Sen. Joe Lieberman, then chair of the Senate Homeland Security and Governmental Affairs Committee (HSGAC) , introduced S. 1789, the 21st Century Postal Service Act, which dropped the pension valuation idea in favor of a reduction in the prefunding target from 100% to 80% and a 40-year amortization schedule. Although S. 1789 contained very unpopular provisions to end Saturday delivery and to phase out door delivery, it passed the Senate in April 2012. Because of opposition to the service cuts, S. 1789 was not taken up by the House.

113th Congress

In the 113th Congress, HSGAC chairman Sen. Carper introduced S.1486, a bill similar to S. 1789 from the prior Congress. The bill was adopted by HSGAC in July 2014, but did not get a vote in the full Senate. Although some of the service cuts were softened, the bill did not achieve consensus in Congress or among industry stakeholders.

114th Congress

The 114th Congress brought new leadership to the Postal Service's oversight committees — Sen. Johnson became chairman of HSGAC and Rep. Jason Chaffetz became chairman of OGR.

On the Senate side, HSGAC did not take up postal reform, but Sen. Carper introduced the Improving Postal Operations, Service and Transparency (i-Post) Act of 2015 (S. 2051) in September 2015. It took a different approach to addressing the prefunding burden. It sought to dramatically reduce the cost of postal retiree health benefits by adopting private sector best practice in another area — the full integration of employer-provided health insurance with Medicare. By requiring ALL postal retirees to enroll in Medicare Parts A and B at age 65 (up from the roughly 80% who already do so), extending prescription drug subsidies that are payable to private employer health plans that insure retirees by the Medicare Part D law to new postal-only health plans in FEHBP, and setting an 80% prefunding target for the PSRHBF, the bill would have solved the Postal Service's prefunding crisis. It also called for investing the assets of the PSRHBF more sensibly.

Although no legislation advanced, the Postal Service's business and labor stakeholders came together to develop a consensus reform plan that focused on Medicare integration, a modest rate hike (restoring half the 4.3% 'exigent rate increase' that expired in April 2016), and improving the way the way the PSRHBF is invested to improve its returns and thereby further reduce the burden of prefunding — without the service cuts and other objectionable provisions. A serious end-of-the-Congress effort to advance the consensus package fell short, despite gaining significant support by committee leaders.

115th Congress

In 2017, the House Oversight and Government Reform Committee adopted two bills that have major elements of the business-labor consensus approach developed in 2016, which also had the support of the Postal Service. H.R. 756 focuses on Medicare integration (private sector best practice) and the rate increase compromise; H.R. 760 focuses on investing the PSRHBF better. It was the unions' hope that the two bills could be amended to address Medicare hardships and to prevent the elimination of door delivery services to millions of American businesses as they moved through the House. H.R. 756 was reported out to the Ways & Means and Energy and Commerce Committees, which have jurisdiction over Medicare spending. But the two committees have so far refused to take up the legislation.

It appears the legislation is stalled because of opposition to any new Medicare spending, even if it is for U.S. citizens (retired postal employees) who have paid their Medicare taxes for decades. Although the CBO gave H.R. 756 a positive score, the leader of the House Ways & Means Committee appears to object to the modest increase in Medicare spending resulting from H.R. 756 ($10.6 billion over 10 years, less than one-tenth of one percent in total program spending). It is not clear the committee would support the bill even if the Medicare Trust Funds could be compensated for the increased spending (with so-called Medicare offsets).

On the Senate side, Sen. Johnson, chairman of the HSGAC Committee, has not taken any action on postal reform in this Congress. However, Sen. Carper has introduced a bill that largely follows the contours of H.R. 756 called the Postal Reform Act of 2018 (S. 2629) – but which offers a proposed Medicare offset. At this time Chairman Johnson does not appear willing to support S. 2629.

House Postal Resolutions

Although postal reform legislation has stalled in recent years, interest among members of Congress in the Postal Service remains high. A top priority is to maintain high quality services. In the House of Representatives there are three non-binding resolutions expressing the sense of the Congress on postal matters:

H. Res 15: Rep. Sam Graves (R-MO) and 246 other Members of Congress have sponsored a resolution in support of preserving Saturday delivery service. The resolution expresses the sense of the House of Representatives that the United States Postal Service should take all appropriate measures to ensure the continuation of its 6-day mail delivery service.

H. Res 28: Rep. Susan Davis (D-CA) and 241 other Members of Congress have sponsored a resolution to protect door delivery service. The resolution expresses the sense of the House of Representatives that the United States Postal Service should take all appropriate measures to ensure the continuation of door delivery for all business and residential customers.

H. Res 31: Rep. David McKinley (R-WV) and 214 other Members of Congress have sponsored a resolution calling on the restoration of quality service standards. The resolution expresses the sense of the House of Representatives that the United States Postal Service should take all appropriate measures to restore service standards in effect as of July 1, 2012.