

**The Real Facts on Rep. Kevin McCarthy’s “Setting the Record Straight” Memo
The Cantor-McCarthy Highway Trust Fund Offset is a Gimmick**

House Majority Whip Kevin McCarthy (R-CA) issued a memorandum on June 9 to defend the Cantor-McCarthy gimmick to fund highway spending, which would use the phony savings from a hypothetical future bailout of the Postal Service to fund a temporary extension of the Highway Trust Fund. Rather than “Setting the Record Straight,” McCarthy’s memo continues to confuse and mislead on a number of key issues.

What the Majority Whip Claims	The Real Facts
<p><u>Highway Funding</u></p> <ul style="list-style-type: none"> Absent a transfer into the Highway Trust Fund, in late July/early August, there will be insufficient funds to reimburse states for ongoing highway construction projects. Projects across the country may stop as a result. To get to next June—so we have the space to complete a multi-year highway bill—requires a transfer into the Highway Trust Fund of approximately \$12 billion. 	<ul style="list-style-type: none"> The inability to govern has been the hallmark of this Congress. We have known for months that the Highway Trust Fund would run out of money this summer. It’s time to legislate instead of kicking the can down the road. There is plenty of time in June and July to develop a long-term solution for highway maintenance and construction without damaging the nation’s postal service.
<p><u>The Offset</u></p> <ul style="list-style-type: none"> This proposal does <i>not</i> take any money from the Postal Service. Under the unified budget (the deficit figurers everyone cites), a savings to the Post Office reduces the deficit. That reduction in the unified deficit is offsetting the transfer to the Highway Trust Fund. 	<ul style="list-style-type: none"> True. Since this is a budget gimmick, the Postal Service would not send money to the Highway Trust Fund. The transfer from the General Fund would be deficit spending. But the plan would damage the USPS as well as a mailing industry that employs 7.5 million private-sector workers. It would also reduce volume and USPS revenues by more than the alleged reduction in spending. According to USPS surveys, millions of its business mailers (35%-40% of all firms) say they want 6-day mail delivery. Ending it would reduce volume & revenue for USPS. A 2012 study for USPS by Opinion Research Corporation forecast a 7.7 percent reduction in mail volume and a \$5.3 billion loss in revenue due to elimination of Saturday service and other already implemented service cuts. This would wipe out the \$3.3 billion in forecast savings. A 2014 Postal Regulatory Commission report by Swiss Economics also concludes that revenue loss could outweigh the savings.

**The Real Facts on Rep. Kevin McCarthy’s “Setting the Record Straight” Memo
The Cantor-McCarthy Highway Trust Fund Offset is a Gimmick**

What the Majority Whip Claims	The Real Facts
<p><u>Modified Six-Day Delivery</u></p> <ul style="list-style-type: none"> • Post offices will remain open on Saturday both to receive and process mail. P.O. boxes will receive mail on Saturdays. • Packages, including medicine and priority and express mail, will still be delivered on Saturdays. • No postal employees will be fired as result of this change. Natural attrition and voluntary buyouts of retirement-eligible employees will enable the Postal Service to begin rightsizing its workforce. • Absent a change in the law to permit the Postal Service to go to modified six day delivery, the Postal Service will have to make even bigger changes elsewhere; these would likely include higher postal rates and the closing of additional facilities. • According to public opinion polling, moving to modified six day delivery has large support including amongst seniors and rural Americans. For instance, according to recent IPSOS polling data, <u>83 percent of Americans 55 and older and 76 percent of rural Americans</u> support this change in delivery. • This isn’t the first time the Postal Service has had to change its delivery practices. Facing financial problems in 1950, the Postal Service ended twice-a-day at home mail delivery. 	<ul style="list-style-type: none"> • Millions of rural residents and farmers who don’t have post office boxes or live near post offices would lose service. • Fewer packages would be delivered because rates for package delivery would soar; the cost of the delivery now shared by multiple products would be added to parcel prices. • False. He is suggesting that the Postal Service has not already downsized when it has eliminated more than 205,000 jobs since 2007. Eliminating another 25,000 full-time city carrier jobs and 53,000 full- and part-time rural carrier jobs to facilitate a budget gimmick makes no sense. At a time when jobs are scarce, Congress should create job opportunities for young people and returning veterans, not eliminate them. • False. These are false choices. Congress can solve the Postal Service’s financial problems by addressing the onerous retiree health prefunding mandate applied in 2006—which accounts for 100 percent of the losses reported in 2013 and 2014—and by enacting other sensible reforms. • Public opinion is distorted by these false choices. Americans who do not know the crisis was created by Congress say they would give up Saturday delivery to “save the USPS” or to “keep their local post office” or to avoid “higher postage rates.” There are better options for postal reform. • What happened in the 1950s is irrelevant. In the absence of pre-funding, which Congress does not impose on itself or any other company or agency, USPS would be reporting profits right now.
<p><u>The Alternative</u></p> <ul style="list-style-type: none"> • Some Senators are currently discussing a list of approximately 10 user fees and tax increases. The most popular apparently is to impose a tax on oil at the wholesale level—which essentially is a way of imposing a new gas tax at the front end of the process. 	<ul style="list-style-type: none"> • Ending wasteful tax loopholes and reducing inefficient tax subsidies for an oil industry recording record profits makes much more sense than unnecessary and damaging cuts to the Postal Service, which serves 152 million households and businesses six days a week.