Cut, cut, cut

Congress and the White House offer differing visions on reducing deficit

Rep. Paul Ryan's (R-WI) budget plan calls for cuts to entitlements to pay for tax cuts for the wealthy.

The recent budget showdown in Washington—almost a budget *shutdown*—was only the opening act for the drama to come as Congress must soon address the need to raise the debt limit, pass a 2012 budget and consider the plans for long-term deficit reduction. With the stakes jumping from billions to trillions, the ante is upped—and letter carrier benefits could get drawn into the fray.

As this issue of *The Postal Record* went to press, the House adopted a 2012 budget plan devised by House Budget Committee Chairman Paul Ryan's (R-WI). That plan calls for trillions of dollars of cuts in Medicare and Medicaid—essentially ending both programs as they now work—while offering huge tax cuts to the richest Americans. Worse, the plan calls for a 5–6 percent wage cut for postal and federal employees by requiring workers to pay half the cost of their FERS and CSRS pensions.

"There's nothing serious about a plan that claims to reduce the deficit by spending a trillion dollars on tax cuts for millionaires and billionaires," President Barack Obama said in a speech outlining his own deficit reduction plan. "And I don't think there's anything courageous about asking for sacrifice from those who can least afford it and don't have any clout on Capitol Hill."

Obama's plan calls for shared sacrifice across the board, with smaller, targeted cuts to entitlements and most government agencies, as well as the closing of tax loopholes for the wealthy and the ending of Bush-era tax cuts.

Neither vision is likely to pass as is, given the divided Congress, but they do begin the conversation for the country on deciding how to proceed with the hard task of dealing with the deficit.

Complicating matters is the necessity for Congress to raise the debt limit. The Treasury has warned that it will reach its $14.3 trillion limit on borrowing in May—though with some juggling of various federal accounts, it might be able to hold off as long as July.

Republicans in the House have vowed that they will not raise the debt limit unless they get large-scale concessions from the Democrats. Along with sharp cuts, those likely also will include anti-abortion and anti-environmental provisions like those Republicans attempted to attach to the agreement to stop the government shutdown.

While most observers agree that the deficit needs to be addressed to begin to shrink the debt, cutting off the country's ability to borrow so abruptly would "precipitate a [financial] crisis worse than the one we just went through," Treasury Secretary Timothy Geithner recently told Congress. "I think it would make the crisis we went through look modest in comparison."

How it could affect you

Carriers should not be affected by the delay in raising the debt limit, though news reports will sound troubling. To stretch out the negotiations as long as it can, the Treasury will likely "disinvest" assets in the Thrift Savings Plan's government securities G fund. The government will stop issuing the debt securities that make up the funds and effectively gain access to the money.

It could do something similar with funds in the Civil Service Retirement Service fund, essentially offering IOUs until the debt limit is increased. But do not fear—federal law requires that the TSP account balances remain to the credit of investors and that any interest lost will be restored, along with all CSRS funds and their related earnings. These are two tools the Treasury has used in the past, and it has always corrected the imbalance when the debt limit has been raised.

Of more consequence to letter carriers would be the passage of Rep. Ryan's budget, which calls for large-scale increases by postal employees' to their retirement funds. Federal employees covered by FERS contribute 0.8 percent of payroll to their pension plans, but under the Ryan recommendation, their contributions would increase to half the cost of the defined benefit they receive at retirement (which currently stands at 12.6 percent). Though the changes would save the Postal Service billions and have no impact on benefit levels, the contribution increasees would effectively cut FERS carriers' pay by 6 percent. If the same policy is applied to CSRS employees, employee contributions would rise from 7.0 to 12.2 percent. For FERS and CSRS employees, this would amount to a pay cut of between $2,700 and $3,300 annually for most carriers.

Further, Ryan's plan calls for a federal wage freeze until 2015. While this proposal does not directly affect postal employees, it likely would shape the Postal Service's approach to bargaining this fall, as the current wage freeze affected APWU's tentative contact, which calls for two years of wage freezes.

As NALC President Fredric Rolando wrote in a letter to Congress, "Our nation's postal employees, seniors and middle-class families deserve a better approach to the FY 2012 budget than the Ryan plan offers." ✉