News from Washington

For NALC's activists, extended deadlines present lobbying opportunities

In early September, just days after returning to Washington, DC, following their summer recess, members of Congress immediately got to work on legislation to deal with three urgent issues.

On Sept. 8, President Donald Trump signed the package, H.R. 601, after it passed the House of Representatives by a vote of 316 to 90 and the Senate by 80 to 17. The bill makes available more than $15 billion for Hurricane Harvey disaster aid. (See page 4 for more about Harvey; Congress was still assessing Hurricane Irma's damage as this *Postal Record* was being prepared.)

H.R. 601 also raised the debt ceiling—the legal cap on how much money the federal government can borrow to fund its budget deficits and meet debt obligations—as needed through Dec. 8. Had this deal not been achieved, it could have led to a federal government shutdown—though in such situations, the self-sustaining Postal Service stays open for business and letter carriers remain on the job.

Finally, the deal also keeps the government funded by extending Fiscal Year 2017 spending levels through Dec. 8. This three-month deal, however, does not mean that letter carriers have no cause for concern.

"All letter carriers must remain on high alert," NALC President Fredric Rolando said, "because Congress now has more time to think about and approve spending cuts that could seriously harm letter carriers' pay, benefits and working conditions."

Earlier this year, House leaders had hoped to combine the 12 separate spending bills that make up the federal budget into one "omnibus" budget measure. But by the end of July, the best the House could manage was passage of a four-bill, security-related "minibus," leaving eight spending measures that still need to be worked out by Dec. 8.

Some of the most harmful budget provisions still under consideration include:

- Raising federal employees' pension contributions by up to 6.45 percent of pay over the next six years, costing active letter carriers up to $3,600 per year.
- Eliminating cost-of-living adjustments (COLAs) for current and future retirees under the Federal Employees Retirement System (FERS).
- Reducing COLAs for Civil Service Retirement System (CSRS) annuitants by 0.5 percent each year.
- Reducing CSRS and FERS pension benefits for new retirees by basing annuities on employees' highest average pay over five years (high-5) instead of over three years (high-3).
- Eliminating the annuity supplement that covers the gap for employees who retire under FERS before they qualify for Social Security benefits at age 62.
- Slashing the rate of interest paid on assets invested in the Thrift Savings Plan Government Securities Fund (G Fund), costing active and retired letter carriers a total of $32 billion over 10 years.
- Making $46 billion in revenue changes and vaguely defined cuts to the Postal Service, most likely through reducing the frequency of delivery (eliminating Saturday delivery) and scaling back door delivery.
- Making the financially independent USPS part of the federal budget—moving it from an "off-budget" status to an "on-budget" status—and potentially opening the agency to across-the-board spending cuts (sequestration) and service disruptions should the federal government shut down during budget conflicts.

"These budget threats remain very real," Rolando said, "but the extended deadline gives us all more time to tell our elected representatives that slashing the incomes of active and retired letter carriers and gutting the vital services and networks of the Postal Service is completely unacceptable."

The president urged all NALC members to visit the "Budget Battle 2017" page at nalc.org to learn more about what they can do to deliver the union's message to their congressional representatives.

CBO issues report on possible changes to federal retirement

In August, the Congressional Budget Office (CBO) released a report analyzing five possible changes to the federal retirement system, at the request of Rep. Trey Gowdy (R-SC), chairman of the House Oversight and Government Reform Committee.

Of the reviewed options, three would change the terms of the Federal Employees Retirement System (FERS). Option 1 would increase all current employees' FERS contributions to 4.4 percent, the level paid by workers hired after 2013, while Option 2 would decrease all current employees' FERS contributions to 0.8 percent, the level paid by FERS employees hired before 2012.

Option 3 is one of the harmful budget proposals discussed above. It would decrease the FERS retirement benefit by basing it on the five years of highest salary (high-5) instead of three years of highest salary (high-3).

The remaining two options are the most radical, as they would effectively repeal and replace FERS, eliminating its guaranteed defined-benefit pension (the FERS basic annuity) in favor of an expanded Thrift Savings Plan (TSP).

Option 4 would eliminate the annuity component of FERS while increasing the government's 1 percent automatic TSP contribution to 8 percent of salary, and it would require the government to match employees' contributions up to an additional 7 percent. This would slightly reduce the federal government's cost of FERS benefits, which now stand at about 16.8 percent for the Postal Service (12.8 percent for the FERS basic annuity and 4 percent for automatic and matching TSP contributions), but it would shift to employees all of the risk of investing for retirement.

Option 5 would repeal the FERS basic annuity and increase the government's automatic TSP contribution to 10 percent of salary but eliminate the government's matching contribution—that is, it would cut our retirement benefits even more dramatically while shifting all investment risk to us.

"NALC would vigorously oppose these policy options if they are proposed," President Rolando said. "Of course, we could support Option 2 to reduce FERS payroll contributions for employees hired after 2012 if it was not offered in combination with other benefit cuts, but that is a highly unlikely scenario."

The CBO did not recommend any one option over another, but President Rolando held up the report's publication as a reminder of just how serious a threat we face when it comes to proposed budget cuts.

You can find a link to the CBO's report on the Department of Legislative and Political Affairs' "News and Updates" page at nalc.org.

House hearing held on international shipments of drugs through the mail

On Sept. 7, the House Subcommittee on Government Operations held a hearing to examine the shipping of illicit drugs in international mail.

The hearing, similar to one held by a Senate committee in May, came as Congress is under increased pressure to address the country's opioid epidemic. It focused mainly on the provisions of the proposed Synthetics Trafficking and Overdose Prevention (STOP) Act of 2017. USPS' Chief Postal Inspector Guy Cottrell and Acting Inspector General Tammy Whitcomb fielded questions during the hearing about the Postal Service's internal processes for tracking, identifying and intercepting potential packages containing fentanyl and other opioids. USPS' representatives noted that, unlike private shipping companies that can use advanced electronic data (AED) to track a package's origin, destination and contents—and also can pick and choose their customers—the Postal Service has a universal service obligation, meaning it must accept all shipments bound for U.S. addresses.

USPS also is a member of the Universal Postal Union (UPU), meaning it must work in partnership with 191 postal services, many of which lack the technological infrastructure to handle AED.

As President Rolando noted in his August "President's Message" (available for review at nalc.org), the STOP Act would impose huge and unrecoverable costs and penalties on USPS; threaten a disruption of the free flow of letters, flats and packages across international borders; require the Postal Service to supply to the Customs and Border Patrol data on all flats and packages from overseas; and make USPS civilly liable for compliance and penalties associated with any violations of the customs process.

"At a minimum, Congress should at least provide funds to cover any Postal Service costs incurred by the STOP Act's security measures," Rolando said. "Moreover, the bill should be amended to provide time to implement its requirements.

"Letter carriers want to do our part to fight the opioid epidemic," the president said, "but we need a bill that serves the American people, not the commercial interests of private shippers."

Postal reform update

As this *Postal Record* went to press, the Postal Reform Act (H.R. 756) and the Postal Service Financial Improvement Act (H.R. 760) remained in legislative limbo pending additional action in the House of Representatives.

The bipartisan-backed bills were introduced in January, then marked-up and voted out of the Oversight Committee in March. H.R. 760 was a clean bill that simply awaits action on the House floor. Meanwhile, before H.R. 756 can receive full House consideration, portions of it must be reviewed by the House Energy and Commerce Committee (which needs to weigh in on the measure's Medicare Part D provisions) and by the House Ways and Means Committee (which has to consider the bill's Medicare Parts A and B language).

Those two committees must either waive jurisdiction or schedule hearings or mark-up sessions to discuss the relevant provisions. NALC hopes to use the committee process to address flaws in the bill that have prevented us from fully endorsing it. But with issues such as health care, tax reform and the budget taking up most of these committees' attention, postal reform occupies a low place on their priority lists.

Meanwhile, the Postal Regulatory Commission (PRC), USPS' independent regulatory body, is finishing up its mandatory review of the current postage rate-setting system. The PRC regularly reviews postal rates, but in this special 10-year review of the way postage rates are set—called for under the terms of the 2006 Postal Reorganization and Enhancement Act—it's conceivable that the commission could change the system the Postal Service uses to adjust the price of postage, moving away from an inflexible cap based on the Consumer Price Index. This would allow USPS to pay for the costly pre-funding mandate as well as to help offset the revenue losses stemming from the April 2016 expiration of the exigent rate increase.

"The decisions made by Congress and the PRC this fall will go a long way toward defining the future of the Postal Service," President Rolando said, "which is why NALC and its members must be fully informed and engaged with what goes on in Washington." **PR**