News from Washington

House passes USPS Fairness Act; White House proposes budget cuts

The halls of the Capitol were bustling this past month: The impeachment trial in the Senate ended, the White House submitted its Fiscal Year 2021 budget request to Congress, the House of Representatives voted for the strongest pro-labor legislation in years and, most importantly to letter carriers, the USPS Fairness Act cleared the House with broad bipartisan support.

House votes to repeal pre-funding mandate

On Feb. 5, the House passed the USPS Fairness Act (H.R. 2382). The bipartisan bill seeks to repeal the mandate that the Postal Service pre-fund retiree health care decades in advance. The vote was 309 to 106 with 222 Democrats and 87 Republicans voting to repeal the mandate, with 105 Republicans and Rep. Justin Amash (I-MI) opposed. Only 14 members did not vote (13 of them were co-sponsors of the bill).

During consideration on the House floor, several lawmakers spoke in support of the bill.

Transportation and Infrastructure Committee Chairman and H.R. 2382 lead Peter DeFazio (D-OR) criticized the pre-funding mandate included in the December 2006 Postal Accountability and Enhancement Act (PAEA). "You can't make this stuff up—in a Christmas Eve bill with no legislative consideration in an otherwise non-controversial bill, a provision was stuck in to say that the Postal Service should pre-fund 75 years of health benefits for retirees," he said. "So yes, this will help relieve pressure on the Postal Service and on rates."

He explained the bipartisan nature of H.R. 2382. "This doesn't score in any way. So that's why we have 300 bipartisan sponsors, and I urge my colleagues at long last to undo this stupidity."

Bill lead Rep. Brian Fitzpatrick (R-PA) also urged passage. "This bipartisan bill will restore USPS financial health by shoring up that funding, and it ensures that it has the resources to improve the postal service for all Americans," he said.

"The U.S. Postal Service Fairness Act, [of] which I'm a very proud co-sponsor, would make a small but very important change to help address the dire financial condition of the Postal Service," House Oversight and Reform Committee Chairwoman Carolyn Maloney (D-NY) said. "The oversight committee and Chairman [Gerry] Connelly, in particular, is working on comprehensive legislation to do just that."

"This is righting a wrong [that] Congress created in the dead of night in a lame duck session in 2006...putting a burden on the Postal Service no other entity on the planet is required to meet, and we have an obligation, having created that problem, to fix it," said Gerry Connolly (D-VA), chairman of the oversight panel's Government Operations Subcommittee.

"That's why we're working on bipartisan legislation to have a comprehensive reform bill. And I'm looking forward to that bipartisan solution. But that doesn't mean we stop everything and fix nothing. This may not return the Postal Service to solvency, but it takes a liability off the books that hurts them, that makes it harder for them to recover and to figure out how to adjust to changes in technology and marketplace."

"Unfortunately, the Postal Service today is forced to play by a different set of rules and those are unfair," Rep. Rodney Davis (R-IL) said. "This mandate has caused severe cuts, and damages the Postal Service's ability to invest in new delivery vehicles. I've always been a steadfast supporter of the Postal Service and its workers. I look forward to working with my colleagues on this issue and other important pieces of legislation that impact our postal unions, such as opposing the privatization of the Postal Service and protecting the six-day delivery, door-to-door service and our rural post offices... We need to make sure that our postal service remains viable."

"This does not solve everything, but boy, I'll tell you this, this solves a lot and it buys us time to craft those other pieces that that need to come together as well," Rep. Stephen Lynch (D-MA) said. "We should not allow the perfect to be the enemy of the good. This is a solid change here."

"The Postal Service is facing many challenges, but it is taking several important steps to provide new services mandated by [the] modern economy," Rep. Mike Bost (R-IL) said. "Unfortunately, it can't accomplish these reforms with one hand tied behind its back. The Postal Service is the only entity with this requirement. I doubt that any federal agency would be able to meet its goals and obligations to citizens and taxpayers if they were likewise required to pre-fund their health benefits."

"Get rid of this stupid pre-funding and give them more flexibility about the services they can provide," Rep. Earl Blumenauer (D-OR) said. "Why aren't we using the U.S. Postal Service to help us with the census? These people know who lives in the neighborhood. Why are we hiring temporary employees? ... I appreciate the bipartisan support, and maybe it's time we get our act straight to help them fulfill their full potential."

Others speaking in favor of the legislation included Reps. Jan Schakowsky (D-IL) and Brenda Lawrence (D-MI).

Passage of H.R. 2382 is a tremendous achievement for letter carriers and the broader postal community. This is the first major piece of legislation tackling postal issues that has passed the House since the 2006 passage of PAEA. The hard work of letter carriers across the country made passage possible.

"Letter carriers should be proud of their hard work to educate members of Congress and gain their support on this very important issue," NALC President Fredric Rolando said. "House passage is a major victory in the battle to address the pre-funding mandate, but our work is not done. We must now turn our attention to the Senate."

If you have not yet done so, please consider reaching out to your member of Congress, if they voted for H.R. 2382, to thank them for their support. The more that letter carriers can emphasize how important this vote to repeal the pre-funding mandate was and how much we appreciate our allies in Congress, the better off we will be should future legislative fights arise down the road. If you are unsure how your representative voted on this bill, you can check the NALC Legislative Action Center, accessible via nalc.org.

It is now up to the Senate to take action on S. 2965, the bipartisan companion bill. Letter carriers should carry this momentum through to the Senate and be ready to engage and educate their senators and staff on the need to repeal the pre-funding mandate. Fact sheets and talking points are available on the NALC Legislative Action Center.

White House releases FY 2021 budget proposal

The Trump Administration released its $4.8 trillion Fiscal Year 2021 budget proposal on Feb. 10. With regard to the U.S. Postal Service, as in previous budget requests the White House proposal includes:

"...changes to how rates are set for products that are deemed outside the universal service obligation; changes to delivery processing, mode, and frequency; increased use of private sector partners; more closely aligning Postal Service employee wages with those of other Federal employees; licensing access to the mailbox; and providing additional Government services at retail locations. In addition to Government-wide changes to health and pension programs that will reduce Agency operating costs, the Budget also proposes to re-amortize the payments to the Retiree Health Benefits Fund, including those payments missed in previous years, based on the Postal employee population at or near the retirement age."

Major provisions affecting NALC members in the White House budget request are similar to past years. They are outlined below.

Postal Service

- **"Reform the Postal Service"** The budget asks for more than $90 billion in cuts to USPS operations and workforce compensation over 10 years. Changes are based on the recommendations of the White House Postal Task Force, which include: cuts to postal employee pay; eliminating the USPS mailbox monopoly; opening the private sector up to mail sorting; and implementing a new rate-setting system, which would allow for increased rates on packages and services deemed "non-essential."
- **USPS Privatization not included.** In his FY20 request, the president included a proposal by the Office of Management and Budget (OMB) that called for reforming and restructuring the federal government, including privatizing the Postal Service. Privatization of the Postal Service has not been included in this year's request.

Federal Employees Retirement and Health Benefits

- **Pay increase lags behind inflation.** While the administration's prior two budgets called for a federal workforce pay freeze, this budget proposes a 1 percent across-the-board pay increase for federal employees, while recommending a 3 percent increase for military personnel. Inflation rates in the United States have risen from 2.1 percent in the president's first year in office to 2.3 percent for 2019. Legislation introduced in the 116th Congress by House and Senate Democrats called for a FY21 pay raise of 3.5 percent.
- **Increase FERS contributions.** For active federal and postal employees covered by the Federal Employees Retirement System (FERS), the budget calls for gradually equalizing employee and agency payroll contributions for pension benefits. This would raise the pension contributions of letter carriers by 1 percent of pay a year for up to six years, resulting in a take-home pay cut of up to $3,700 annually after six years for active letter carriers. The exact impact would depend on when FERS employees were hired.
- **High-5 average.** The proposal calls for reducing Civil Service Retirement System (CSRS) and FERS pension benefits for new retirees by basing annuities on workers' highest average yearly salary over five years (high-5) instead of over the highest three years (high-3).

- **Eliminate annuity supplement.** It also would eliminate the annuity supplement that covers the gap for employees who retire under FERS before they qualify for Social Security benefits at age 62.
- **Slash COLAs.** For all retirees, the administration's budget calls for eliminating or reducing cost-of-living adjustments (COLAs). For current and future annuitants under FERS (which covers any employee hired after 1984), the budget would eliminate basic annuity COLAs entirely. For those under CSRS, COLAs would be reduced by 0.5 percent each year. These changes would devastate the finances of retirees who rely on annual COLAs to keep up with the cost of living.
- **Reduce the TSP's G Fund interest rate.** This proposal includes a change to the government bond fund ("G" fund), the largest and most popular investment vehicle available in the Thrift Savings Plan. Millions of active and retired G Fund investors would receive a reduced rate of return. The new rate would be tied to the interest rate on 90-day Treasury bills instead of an average of medium- and long-term Treasury bond rates. This proposal would take $10.5 billion in retirement investments from federal employees, retirees, active military personnel and veterans over the next 10 years.
- **Higher premiums for workers**. For both active and retired federal employees, the budget proposes modifying the federal government's contribution to the Federal Employees Health Benefits Program (FEHBP) so that federal employees pay more into the program. Although details for how the new calculations are not specified, previous proposals called on federal employees to pay an additional 7 percent, cutting significantly into their monthly take-home pay. A 7-percentage point cost shift (similar to what was proposed last year) for a $20,000-per-year family health plan would raise retiree contributions by about $1,400 annually. FEHBP contribution levels for active letter carriers are set by the terms of the collective-bargaining agreement with USPS. While the proposed budget wouldn't immediately affect these contribution percentages for active letter carriers, it likely would have an effect on future negotiations on this issue.

Department of Labor

- **Budget cut**. Much like the White House's proposals for FY20 and FY19, the Department of Labor would see a $1.3 billion, or 11 percent, budget cut in 2021, through the elimination of programs deemed "duplicative, unnecessary, unproven or ineffective."
- **Training cuts**. The budget once again slashes funding for training workers who lose their jobs as a result of lay-offs or natural disasters. Other job training funds for Native Americans and seasonal migrant workers would be completely defunded.
- **Union monitoring**. One of the few increases in the DOL budget would go to the office that monitors union activities. The DOL's Office of Labor-Management Standards would get a 16 percent boost, to $50 million next year. The budget states that it would "support more audits and investigations to uncover flawed officer elections, fraud, and embezzlement."

It is important for letter carriers to urge their representatives in Washington to reject attacks on the federal workforce as well as on the Postal Service and its networks.

NALC will continue to update letter carriers on the process, as additional budget details are released and as the House and Senate begin their budget considerations.

House passes worker-friendly PRO Act

On Feb. 6, the House passed the Protecting the Right to Organize (PRO) Act (H.R. 2474), legislation that would increase protections for workers' rights to organize and bargain for higher wages, better benefits, safer working conditions and more.

The 224 to 194 vote saw 219 Democrats and 5 Republicans vote for the PRO Act, while 7 Democrats, 186 Republicans and Justin Amash (I-MI) opposed it.

"House passage of the PRO Act is a powerful statement of support for workers, and we are thankful to the members of Congress who stood up for the American people by supporting this legislation," President Rolando said. "All Americans deserve the right, not simply to stand together and negotiate a fair return on our work, but to have that right protected and enforceable through the court of law. For too long, corporations and the wealthiest few have been prioritized to the detriment of our nation's labor force."

Passage of this bill follows years of stagnant wages for the majority of Americans, poor working conditions and attacks on unions and workers' rights by corporate special interests and their representatives.

Senate passage of the companion bill (S. 1306) is unlikely due to Republican control of the chamber and their opposition to the legislation.

Search for a new PMG continues

Postmaster General Megan Brennan, who had announced her intent to retire effective Jan. 31, agreed to delay that retirement as the search by the USPS Board of Governors (BOG) for her successor continued.

"We are grateful to the postmaster general for her continued commitment to the Postal Service, and share her confidence in the Postal Service's strong leadership team members who will ensure that we continue to deliver for the American people," BOG Chairman Robert Duncan said.

Potential nominee for USPS BOG

On Jan. 6, the president nominated William Zollars of Kansas to be a member of the USPS BOG for the remainder of a seven-year term expiring on Dec. 8, 2022.

Zollars previously was president and CEO of YRC Worldwide, Inc., a U.S holding company of freight shipping brands. Prior to that, he was an executive at several other transportation and supply chain management companies.

His name has been sent to the Senate Homeland Security and Government Affairs Committee.

PRC publishes revised notice of proposed rulemaking

In early December, the Postal Regulatory Commission (PRC) issued a revised proposed rulemaking for the system that regulates the rates and classes of the Postal Service's Market Dominant products. This follows an initial proposed rulemaking in December 2017 that was not implemented. The new proposal is based partly on comments received following the initial rulemaking. NALC's comments figure prominently in the new filing.

PAEA required the PRC to review the existing rate and classification system of Market Dominant products after 10 years. The review's mandate is to determine whether the legislated rate-setting system is achieving the objectives set forth in PAEA: to create a "flexible, stable, predictable and streamlined ratemaking system that ensures the Postal Service's financial health…and maintains high quality service standards and performance."

According to the PRC's initial proposed rulemaking in December 2017, the system was not meeting these goals.

The first proposed rule, which would have liberalized the price cap to allow rates to rise by up to two percentage points more per year than the increase in the Consumer Price Index, was not finalized, in part because of vacancies on the PRC. The last of those vacancies was recently filled.

NALC is pleased to see the PRC return to this important review, and we are participating fully in this process. NALC's goal is to strengthen our nation's universal postal service. After reviewing the proposed rulemaking's impact, we submitted our comments on Jan. 30; they can be found at nalc.org.

USPS quarterly financial report

The Postal Service's financial report for the first quarter of Fiscal Year 2020 underlines the need for congressional action on common-sense legislative reform. The first step toward such reform is the USPS Fairness Act, which a large bipartisan majority of the House voted for on Feb. 5.

The entire first quarter loss—$748 million—stems from the unfair obligation placed on the Postal Service by Congress in 2006 to pre-fund future retiree health benefits decades in advance. That mandate cost the Postal Service $1.2 billion in the first three months of the fiscal year.

This mandate, which no other public agency or private company in the country faces, imposes a crushing financial burden on the Postal Service. It accounts for most of the Postal Service's losses over the past decade, creating an artificial financial "crisis" that threatens services and prevents needed investments.

The bill passed by the House (H.R. 2382) would repeal the mandate. NALC calls on the Senate to quickly pass its version of the same legislation (S. 2965) to remove this onerous obligation on America's Postal Service. This would set the table for other consensus reforms and allow the Postal Service to continue to provide the American people and their businesses with the industrial world's most-affordable delivery network.

The USPS, which receives no taxpayer money and funds itself through earned revenue, is rated by the public as the most-trusted federal agency and enjoys strong political support from both sides of the aisle.

In the media

President Rolando was quoted by Barron's in a story on Feb. 7 on the USPS quarterly report.

NALC Chief of Staff Jim Sauber was quoted in an *American Prospect* magazine story on Jan. 13 about the Postal Service, the search for a new postmaster general, postal finances and the fight against privatization.

John Paige, past president of the Idaho State Association, had letters to the editor published by the *Idaho Statesman* (Jan. 19), *Idaho Press Tribune* (Jan. 19), *Coeur d'Alene Press* (Jan. 19) and magicvalley.com (Jan. 14), largely about voting by mail. **PR**