



E-NAPUS Legislative Newsletter

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Déjà Vu With John McHugh

It seems like old times. On January 4, the first day of the 109th Congress, Representative John McHugh (R-NY) introduced H.R. 22, "the Postal Accountability and Enhancement Act." Over the past decade, Rep. McHugh has waged an annual crusade to enact comprehensive postal reform legislation. Last year, he came very close to gripping the Holy Grail, but time ran out.

For the first time in years, the White House, and the key Congressional Committees with jurisdiction over the USPS are poised to coordinate their efforts. Moreover, the bipartisan leadership of the House Government Reform Committee intends to focus House attention on the USPS' precarious financial and operational condition. Chairman Tom Davis (R-VA), Committee Ranking Democrat Henry Waxman (D-CA), and Rep. Danny Davis (D-IL) joined McHugh as chief cosponsors of the bill.

The 145-page H.R. 22 is similar to legislation that passed the House Government Reform Committee by a vote of 40-0 last year, and teetered on the House Leadership agenda prior to adjournment last year.

The new bill incorporates a number of minor changes that would:

- Clarify that certain federal bankruptcy statutes do not apply to USPS
- Revise provisions relating to postal police and prohibitions against mailing hazardous materials.
- Relieve the USPS of a potential \$500 million overpayment on behalf of retiree health benefits
- Protect a separate mailing classification for community newspapers

The McHugh bill retains three key provisions from last year's solidly supported measure which include:

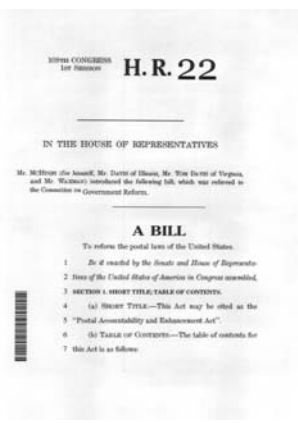
- Returning the responsibility for the CSRS military service costs to the U.S. Treasury
- Permitting the USPS to use its CSRS escrow account
- Modernizing the way in which postage rate are determined

NAPUS will continue to urge the House to classify "single-piece parcels" as a "market dominant" product rather than a "competitive" one. Last year's Senate bill correctly identified it as market dominant. In the August 2004 *Postmasters Gazette*, I pointed out that categorizing parcel products incorrectly would result in major price spikes and service reductions for rural and residential parcel customers.

The Government Reform Committee plans to conduct its organizational meeting in late January. So, no action can occur on H.R. 22 until February.



Rep. John McHugh
(R-NY)



Senate Homeland &
Governmental
Affairs Committee

Collins (R-ME),
Chairman
Stevens (R-AK)
Voinovich (R-OH)
Coleman (R-MN)
Coburn (R-OK)
Chafee (R-RI)
Bennett (R-UT)
Domenici (R-NM)
Warner (R-VA)

Lieberman (D-CT),
Ranking
Levin (D-MI)
Akaka (D-HI)
Carper (D-DE)
Dayton (D-MN)
Lautenberg (D-NJ)
Pryor (D-AR)

Governmental Affairs Facelift

The Senate Governmental Affairs Committee is undergoing a major facelift. The Committee has been renamed the Homeland Security and Governmental Affairs Committee, and four new Republican Senators join the panel for the 109th Congress. In addition, the Committee will expand its Republican majority by one seat, making the partisan ratio 9 Republicans and 7 Democrats. Last Congress the ratio was 9 to 8. The additional Republican seat reflects the Republican pickup of four Senate seats in the November 2004 election.

Freshman Senator Tom Coburn (R-OK), and veteran Senators Lincoln Chafee (R-RI), Pete Domenici (R-NM), and John Warner (R-VA) join the Committee. Senators Arlen Specter (R-PA) and John Sununu (R-NH) left the panel, as did retiring Senator Peter Fitzgerald (R-IL). The Democratic lineup remains the same, except that Senator Richard Durbin departs to assume the position of Senate Democratic Whip, chief vote counter for the party.

Although a freshman, Senator Coburn is no stranger to Capitol Hill. He served in the House of Representatives from 1995-2002. He vacated his House seat in 2002, fulfilling his term-limit pledge. In addition, he has stated that he plans to serve no more than two terms in the Senate. While a member of the House, Coburn was an outspoken fiscal conservative, who was among the Republican rebels who plotted against then-Speaker Gingrich for abandoning core conservative principles. During Senator Domenici's long tenure as both the former Chairman and ranking Republican on the Senate Budget Committee, he helped to protect federal and postal benefits from numerous attempts to slash them. Senator Warner has also been a loyal ally of the federal and postal community. In fact, he has been the Senate sponsor of legislation to permit federal and postal retirees to pay their FEHBP premiums on a pre-tax basis. It is still too early to tell how the membership change will affect the progress of postal reform in the Senate.

Social Security Reform and FERS

Recently, the White House signaled that it might propose changing the formula that sets Social Security benefit levels. The proposal would mean that, in the future, the government would calculate Social Security benefits using inflation rather than a beneficiary's wage history. As a result, individuals entitled to a benefit beginning in 2012 would experience a 1% reduction, those whose first check would be in 2022 would suffer a 10% cut, workers retiring in 2022 would have to absorb an 18% hit, and those who leave service in 2042 would be socked with a 26% cut. These cuts would help to offset costs associated with the creation of private retirement accounts for Social Security recipients.

This Social Security calculation change would affect postal employees who retire under FERS, since the primary component of FERS retirement is Social Security. NAPUS will be carefully monitoring the deliberations over Social Security reform. It is important to recall that FERS was sold to the federal and postal community as a total retirement package (Social Security, FERS and maximum participation in the TSP) that would replicate the CSRS benefit value. Since the Administration is contemplating a reduction in a major component of the FERS package, CSRS comparability would be rendered obsolete. Moreover, the addition of a private retirement account would duplicate TSP, so it would be unnecessary for FERS employees.

As we stated in past NAPUS literature, any movement of Social Security legislation provides a reasonable vehicle for addressing GPO and WEP.

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