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Congressional Bean Counter

Revised CBO Estimate Projects Five-Year Savings for Postal Reform

In part, the Congressional Budget Office (CBO) analyzes the impact that legislation has on the federal budget. The CBO prepares cost estimates of the legislation and tracks the progress of the legislation in a scorekeeping system. CBO's estimate show how bills change spending or revenue and determines whether those budget effects are consistent with the Congress Budget Resolution. At times, CBO revises its calculation. Although CBO does not make policy recommendations, its findings can greatly influence policy.

On Wednesday, the Congressional Budget Office (CBO) revised its estimate of the budget effect of H.R. 22 and S. 662. ON May 10, CBO recalculated that enactment of the Senate-passed version of postal reform would net \$1.3 billion in savings over the first 5 years. Last year, CBO projected a 5-year cost of \$500 million. Although Wednesday's estimate projected that the 10-year budget impact of S. 662 to be \$1.5 billion; this represents \$3.5 billion less than CBO's 2005 calculation. CBO also recalculated its figures on the House-passed postal bill, H.R. 22. The Congressional bean-counter anticipates that H.R. 22 would yield 5-year budget savings of \$200 million. This compares favorably with it previous estimate of a 5-year cost of \$1.4 billion. The recent CBO 10-year budget estimate for H.R. 22 places the impact at \$4.3 billion, which is approximately \$1.6 billion less than the 2005 projection.

CBO's revision places pressure on the White House to bridge the gap between its call for "budget neutrality" and postal legislation with an evaporating effect on the "unified budget." To get the President's signature, the Administration and budget-sensitive Members of Congress must recognize that failing to pass meaningful reform could have significant repercussions throughout the economy. Interestingly, the same policy-makers who fervently promoted "dynamic scoring," a controversial economic theory that projects broad economic consequences of legislation, are in denial. Therefore, it falls upon representatives of the \$900 billion mail-reliant industry, who firmly believe that budget neutrality simply means passing federal budget costs onto them through increased postage, to flex their political muscle.



Bookspan NSA and Postal Reform

Earlier this week, the Postal Rate Commission approved a negotiated service agreement (NSA) between the USPS and Bookspan. The NSA would provide volume-based discounted postage. Bookspan is a partnership between Bertelsmann, a German media giant, and Time Warner, Inc. Bertelsmann owns Random House Publishing Company, BMG Music Publishing, and Direct Group, the world's largest trade book publisher. Time Warner is the parent company of Doubleday Entertainment (a leading marketer of book clubs and merchandise

via direct mail), and the publisher of numerous magazines. The Bookspan Family Tree began with the "Book of the Month Club," which provided much-needed literary access to rural America with books through direct mail.

The USPS and Bookspan justified the NSA because they predicted that discounted solicitation mailings would yield customers who would purchase and receive their books by mail, thereby generating more mail volume. The APWU, the newspaper industry and ValPak opposed the NSA for a variety of reasons. What will be interesting is if the newspapers attempt to scuttle the Bookspan NSA through the House-Senate Conference on postal reform. The reason why NSA proponents, including the USPS, will be watching is because during the crafting of S. 662, the newspapers vehemently opposed any sanction of NSAs within the legislation. The newspapers threatened to derail reform if the legislation included recognition of new opportunities for the USPS to provide volume discounts. The underlying reason for their opposition is that advertising mail competes with newspaper ads. In an economic environment where newspaper subscribership is shrinking, publishers will fight to hang onto ad revenue – not wanting to lose it to direct mail.

So, as the result of the Bookspan decision, newspapers may be forced into the novel position of being strong advocates of postal reform. Up until this point, they have been reluctant suitors. Now, newspapers may seek to legislatively change the result of the PRC decision though reform, or, more likely, attempt to alter the conditions under which future NSAs will be negotiated.

Congressional Budget Mess

This week House GOP Leaders continued in a futile attempt to pass a Fiscal Year 2007 Budget Resolution (House Concurrent Resolution 376). On Thursday afternoon, the Leadership abandoned efforts to consider the bill this week. Next week, House floor debate will be fascinating because the legislative body is scheduled to take up three Appropriations bills – and will still do so without an approved budget.

In the meantime, it is highly doubtful that House Democrats will provide any support for HCR 376. Therefore, the GOP needs almost every Republican vote. They are not there yet. Majority Leader John Boehner (R-MO) will try to bring up the resolution next week. However, his Leadership Team first needs to settle an internal feud between GOP moderates and conservatives about the funding level of the budget bill. The small but pivotal moderate wing is arguing for increased funding for specific social programs that are included in the Labor, Health and Human Services, and Education Appropriations Bill. The much larger and influential conservative wings want to hold the line on spending, in preparation for a bloody fight with their Senate colleagues in a Conference Committee setting. The Senate passed its budget bill with more funds than HCR 376.

The failure to pass a Budget Resolution is more a political embarrassment than anything else. This would be the first time in three decades that House has not passed a Budget. Such a failure is particularly discomfiting in an election year. In addition, delay would mean that the Appropriations process may not be completed prior to Election Day. As predicted in last week's *eNAPUS Legislative and Political Newsletter*, the budget problems could result in an unpredictable and potentially dangerous Lame Duck Session of Congress.

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