



E-NAPUS Legislative Newsletter

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Hon. Carolyn L.
Gallagher



Hon. Louis L. Giuliano



Hon. Tony Hammond

Chairman Collins Questions Presidential Postal Nominees

On Thursday, Senate Homeland Security and Governmental Affairs Committee Chairman Susan Collins (R-ME) conducted a confirmation hearing on three Presidential nominees. President Bush chose Carolyn Gallagher and Louis Giuliano to continue to serve on the USPS Board of Governors, and the President picked Tony Hammond to continue to serve on the Postal Rate Commission. Last year, President Bush awarded Gallagher and Giuliano recess appointments to the Board of Governors. Without confirmation, they must leave their posts at the end of 2005. Hammond has been on the PRC since 2002.

Chairman Collins kicked off the questioning by asking Governor Gallagher, a former member of the President's Commission of the Postal Service, if she still stood by the Commission's findings and recommendations. Collins was curious whether the experience of seeing the USPS from the inside resulted in Gallagher revisiting some of the Commission's conclusions. Governor Gallagher stated that she stood by the all the original findings and recommendations.

Chairman Collins asked the two Governors for their views about alleviating the CSRS funding problem created two years ago (i.e., establishing a CSRS escrow account and the USPS obligation to finance the CSRS military retirement credit). Both nominees pointed out that the fiscal burden would force postage rates to rise. In addition, they agreed with Sen. Collins that S. 662, the Collins-Carper postal enhancement bill, would help remedy the problem by dedicating one-quarter of the escrow to ensure rate stability and allocating the remaining three-quarters to help pay down the USPS unfunded health insurance liability.

Chairman Collins was interested in the Governors' views about how the USPS would be able to protect "the retail and delivery network fundamental to universal service," while first-class mail volume declines. Giuliano highlighted the need for the USPS to grow the postal business. He was not as pessimistic as others about the future of first-class mail. He praised the agency for being more responsive to customer needs by extending post office hours, deploying automated postal centers, and implementing "click 'n ship". Gallagher stressed that USPS needs to restrict its activities to its core products and core competence. Chairman Collins also touched on her Committee's desire for the USPS to implement and publicize well-defined USPS service standards. Implicit in her question was the issue of postal accountability to its customers. While Gallagher appeared to be receptive to the provision, Giuliano cautioned that overly-strict standards may hamper USPS attempts to respond to the needs of distinct classes of mail.

Finally, in response to a question posed by Chairman Collins, PRC Commissioner Tony Hammond spoke about the need for increased USPS

financial transparency. He also strongly supported the provision in S. 662 that calls for a strict limit on the ability of the USPS to request a postage increase in excess of the consumer price index for market dominant postal products.

All three nominations will be voted on by the Homeland Security and Governmental Affairs Committee, before being forwarded to the Senate floor for a final vote.

House Subcommittee Passes Federal Retiree Tax Relief Measure



On Tuesday, the House Government Reform Subcommittee on the Federal Workforce and Agency Organization approved H.R. 994 by a unanimous vote. The legislation would permit federal retirees to pay their FEHBP premiums on a pretax basis. Rep. John Porter (R-NV) chairs the Subcommittee. Currently, **active** federal and postal employees may pay for their FEHBP premiums with pre-tax dollars. However, this right is not extended to retirees.

The tax benefit to postal and federal annuitants would have totaled \$434 in 2004. House Government Reform Chairman Tom Davis (R-VA) introduced H.R. 994; and last year, his committee approved a similar bill. As of May 18, 158 Representatives are listed as cosponsors. The next stop for H.R. 994 is the full Government Reform Committee. The bill is also pending before the House Ways and Means Committee, where it has previously stumbled.

Sen. John Warner (R-VA) introduced a companion bill in the Senate, S. 484. The bill has 32 cosponsors and is before the Senate Finance Committee.

Financial Relief Possibly Also for Active Employees

On Wednesday, the U.S. Treasury Department issued a ruling, stating that employees who overfund their pretax health spending accounts (e.g., flexible spending accounts) may have an extra 2½ months to spend the balance of the account prior to forfeiting unused funds. Currently, employees, including USPS employees, may contribute to such accounts. However, if they do not use all the allocated funds prior to the end of the tax year they lose the balance.

The new rule would provide health account contributors more time to pay for medical expenses and will reduce the year-end rush to purchase unnecessary health care products to zero-out the account. In addition, Sens. Jim DeMint (R-SC) and Ken Salazar (D-CO) have introduced legislation (S. 309) that would permit employees to carryover expenses, not to exceed \$500, each year.

The new Treasury Department rule leaves it up to the employer to decide whether to permit its employees to take advantage of the 2½ month extension to spend-down their health account. NAPUS will be urging the USPS to adopt this very responsible new ruling.

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