



E-NAPUS Legislative Newsletter

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Pres. Ronald Reagan
(1981-1988)



Pres. George HW Bush
(1989-1992)



Pres. William Clinton
(1993-2000)



William Gray, Chair
House Budget Committee
(1985-88)

Is History Repeating Itself?

In the mid-1980s and early 1990s, the nation experienced extraordinary budget deficits. Falling tax revenue, rising military spending, and escalating entitlement costs wreaked havoc on balancing the books. Two successive Presidents and Congress decided to cut the cost of government. With mixed results, Congressional "deficit hawks" sought to slash the deficit with a meat cleaver. However, cost cutting alone would not have been sufficient to wring-out enough money. "Third-rail" programs, such as Social Security and Medicare, were major components of the federal budget, as was military spending. Nonetheless, for the most part, they were untouchable. Therefore, the Budget Committees concocted legislative gimmicks to provide the appearance of deficit reduction, while in reality simply shifting costs from one group of taxpayers to another. The Presidents of that era, Reagan and George H.W. Bush, in concert with a Democratic controlled House enacted legislation that had a devastating affect on the USPS.

During those years, two successive chairmen of the House Budget Committee, Rep. William Gray (D-PA) and Rep. Leon Panetta (D-CA), compelled the now-extinct House Post Office and Civil Service Committee to pass legislation to shift costs from the federal government to the USPS. The Congress viewed the USPS as a "cash-cow." Later, President Clinton, and the Budget Committee chairs during his tenure, also participated in a postal feeding frenzy. Over the years, the fiscal weapon bore the name "the Omnibus Budget Reconciliation Act." The Omnibus Reconciliation Acts of 1985, 1987, 1990, 1993 and the Balanced Budget Act of 1997 shifted almost \$24 billion from the federal government to the Postal Service.

Currently, the postal community fears that history is about to repeat itself. Heroic efforts to reform the USPS may be tightly bound to efforts to reduce a \$412 billion budget deficit. The question is: Will deficit reduction hold postal reform hostage?

Public Law 108-18 requires the USPS, beginning in 2006, to set aside CSRS overpayments in an escrow account, which will total about \$105 billion over the life of the retirement system. The annual contribution totals between \$3-5 billion, depending on the year. The USPS should be able to use the escrow for postal operations. However, this multi-billion dollar annual deposit into the postal escrow account is recorded as revenue to the federal budget. Therefore, it masks \$3-5 billion of the deficit. Permitting the USPS to use the escrow would reduce federal revenue, thereby increasing the deficit. The White House has no objection to eliminating the escrow, so long as there is no adverse budget impact. This means that the USPS can use the escrow only if it can replace the lost revenue.

The Administration has indicated that it would support legislation that uses the escrow funds to fully pre-fund postal retiree unfunded FEHBP liabilities, about



Leon Panetta, Chair
House Budget Committee
(1989-93)



John Kasich, Chair
House Budget Committee
(1995-2000)

\$78 billion. In this way, the escrow would continue to count as revenue and continue to mask the federal deficit. The Administration reasons that the FEHBP liability must be reduced to zero. However, this approach rejects a USPS proposal to dedicate a portion of the escrow to reduce its liability, while also use the funds for postal operations and rate stability. Moreover, the Administration has stated that it would oppose legislative efforts to delay collection of the escrow funds, since such a delay would “cost” the taxpayer about \$3 billion per year. The so-called cost is actually the loss of USPS overpayment – payments that should never had been made in the first place. Therefore, the White House and congressional “budgeteers” would most likely require \$3 billion per year in new revenue, or \$3 billion per year in budget cuts to offset USPS use of the escrow. Congress can be extremely creative, but that is a lot of money.

The upshot is that mailers would be required to cover the escrow contribution through a rate increase, an increase that would be significantly greater than it would have been otherwise. The impact on postmasters and other postal employees is that mailers would reduce their reliance on the mail and the USPS revenue would shrink. When revenue disappears, service to our customers degrades because the USPS cannot fund window hours, carrier routes, capital improvements and investments – all that are necessary to keep pace with market and consumer expectations. When the 109th Congress convenes in a few weeks, it will be interesting to see how it reacts to the USPS being forced to underwrite deficit reduction. Returning House Budget Committee Chairman Jim Nussle (R-IA) and incoming Senate Budget Committee Chairman Judd Gregg (R-NH) may have something to say, so let’s listen very closely.

Silence Is Not Golden

NAPUS is retooling for the 109th Congress, which convenes on January 4. We will maximize our close relationship with Members of Congress. Our elected leaders have a tremendous respect for the diligence and knowledge of postmasters. Postmasters have a constitutional right to communicate with their Members of Congress. The U.S. Constitution secures this right. As a member of NAPUS and as an American citizen, you should feel free to engage in an open dialogue with your Representative or your Senators. Moreover, should they contact you, you should respond factually and truthfully.

Occasionally, Postal management instructs postmasters to refrain from communicating with their elected representatives on legislative issues that directly affect them or their working conditions. This is unfortunate, since the most effective spokespeople for the agency are postmasters. So, if you receive or hear of any instructions to limit communications with Congress, immediately advise the NAPUS Government Relations Department. Remember, Congress is constitutionally empowered to oversee the Postal Service, so its Members are extremely interested in the operations of the institution and of the individual post offices in their states and congressional districts. Postmasters are the most knowledgeable and capable advocates on behalf of their community and the mail service provided to their community. If you do not know the answer to a query, call back when you are able to respond. Do not fabricate an answer or speculate. If you have any questions about a congressional inquiry, feel free to call the NAPUS Government Relations Department for guidance.

So, do not be intimidated.

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