

National Association of Postal Supervisors

# Legislative Issues Brief



115th Congress • 1st Session



# Five Things to Know About

1

## **The Postal Service is established by the United States Constitution**

The Postal Service is older than the country itself and is based in the Constitution. Article I, section 8, clause 7, which empowers Congress “to establish Post Offices and Post Roads.” The Post Office Department was first led by Postmaster General Benjamin Franklin, who regarded it as a vital means for linking communities throughout the nation. Congress reorganized the Post Office Department in 1970 and created the U.S. Postal Service as an independent agency of the executive branch. Today, the Postal Service provides Americans with the world’s most affordable delivery network, helping consumers and businesses both small and large.

2

## **No Taxpayer Dollars Support the U.S. Postal Service**

The U.S. Postal Service is self-funded and does not rely on taxpayer dollars. The Postal Service operates as a commercial entity and is expected to cover its costs. The Postal Service has not received taxpayer dollars to fund operations since 1982. Its revenues, which amounted to \$71 billion in 2016, rely on the sale of postage and mail products. Congress, in 2006, limited annual increases in postage rates to not exceed inflation.

The Universal Service Obligation (USO) ensures that every American citizen can send and receive mail at affordable prices. The USO originates from the constitutional authority of the federal government to maintain and operate post offices. The USO is achieved through the Postal Service’s delivery network.

3

## **The Postal Service Is the Nation’s Largest Civilian Employer of Veterans**

The Postal Service has a long history of providing career opportunities to veterans, reservists and their family members. More than 100,000 of the Postal Service’s employees, representing nearly one-fifth of the Postal Service’s workforce, have served in the United States military. These valued employees have brought leadership, reliability and high-tech skills to the Postal Service, as well as loyalty and integrity. NAPS proudly supports local and national veteran outreach efforts to assist qualified veterans find a secure and stable career at the Postal Service.

# the Postal Service

4

## **The Nation's Postal System Is an Economic Engine for the Nation**

Trillions of dollars move through the postal system every year. Almost one half of all bills still are paid by mail. The Postal Service is the driver of a \$1.4 trillion-a-year mailing industry that employs 7.5 million people across the country, or six percent of the nation's jobs. Overall, the Postal Service and related industries contribute to 7 percent of the nation's gross domestic product.

And the Postal Service delivers everywhere; others don't. The Postal Service delivers more mail to more addresses in a larger geographical area than any other post in the world; it also is the world's largest retail network—larger than McDonald's, Walmart and Starbucks (in the U.S.) combined. It is the only organization in the country that has the manpower, network infrastructure and logistical capability to deliver to every residence and business in the U.S and its territories. During the past fiscal year, the Postal Service handled 155 billion pieces of mail.

The Postal Service delivers mail to 155 million residences, businesses and post office boxes in every state, city, town and borough in the country—10 million more delivery points than a decade ago. UPS and FedEx do not deliver to rural and remote locations that are not profitable; instead, they rely on the Postal Service to take their packages the “last mile” for delivery. The Postal Service does not impose a fuel surcharge on its customers, charging just 49 cents for a letter going anywhere in the U.S. and its territories, even though it receives NO tax dollars for its operating expenses and must cover all of its own costs.

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## **Postal Service Customer Trust Is at Record Levels**

While public confidence in Congress has fallen to record lows, customer trust in the Postal Service remains at record highs. Since 2005, the American public has rated the Postal Service the most trusted government agency in the Ponemon Institute's annual customer survey of trustworthiness. The survey also ranks the Postal Service as one of the 10 most-trusted companies for the handling of consumer privacy. The results show that Americans regard the Postal Service as one of the best companies in the country in keeping their information safe and secure.

Consumer confidence, brand loyalty, a high-performing workforce and universal presence are the Postal Service's key assets.





**C**ongress should take action and reform the nation’s postal system this year, beginning with the passage of H.R. 756, the “Postal Service Reform Act of 2017.” The bill was introduced by bipartisan leaders of the House Oversight and Government Reform Committee on Jan. 31, 2017. It has been referred to three House committees for consideration and approval: Oversight and Government Reform, Energy and Commerce and Ways and Means.

H.R. 756 deserves the sponsorship and support of all House members. It is the product of nearly two years of bipartisan effort and will help put the United States Postal Service on a path to fiscal stability. NAPS supports H.R. 756 and urges the House to promptly approve it.

The bill includes a number of reforms that would provide measured financial relief to the Postal Service, improve operations, provide enhanced benefits to postal customers and promote stability in postage rates. It also would reduce the onerous retiree health benefit prefunding obligation and put the Postal Service on a more sustainable financial path.

A decade has passed since major postal legislation last was signed into law in 2006. It’s time for Congress to make postal reform a priority.

## H.R. 756 and the Ingredients of Postal Reform

**N**APS believes that meaningful postal reform requires the assurance of prompt mail service to all Americans, the repeal of barriers that harm the Postal Service’s financial health and the infusion of innovation into the postal system.

Many of these priorities are contained in H.R. 756, introduced by the bipartisan leaders of the House Oversight and Government Reform Committee: Chairman Jason Chaffetz (R-UT), Ranking Committee Member Rep. Elijah Cummings (D-MD), Rep. Mark Meadows (R-NC), Rep. Gerry Connolly (D-VA), Rep. Dennis Ross (R-FL) and Rep. Stephen Lynch (D-MA).

The bill has been referred by the House Oversight and Government Reform Committee

and to the Ways and Means and Energy and Commerce committees for their consideration of provisions within their jurisdiction.

Here are the principal features of H.R. 756:

### Retiree Health Benefit Funding Reform

The prefunding schedule established in the “Postal Accountability and Enhancement Act of 2006” has been a major impediment to the Postal Service’s ability to remain solvent. The \$5.6 billion annual prefunding mandate has accounted for most of the Postal Service’s losses since 2007, despite USPS deposits of more than \$50 billion over the past nine years into the Postal Service

## Retiree Health Benefits Fund.

H.R. 756 would reduce the onerous retiree health benefit prefunding obligation. It would require the Postal Service to make actuarially based Retiree Health Benefit (RHB) prefunding payments to cover 100 percent of the cost of the Postal Service's RHB liability within 40 years.

## Accurate Postal Pension Funding

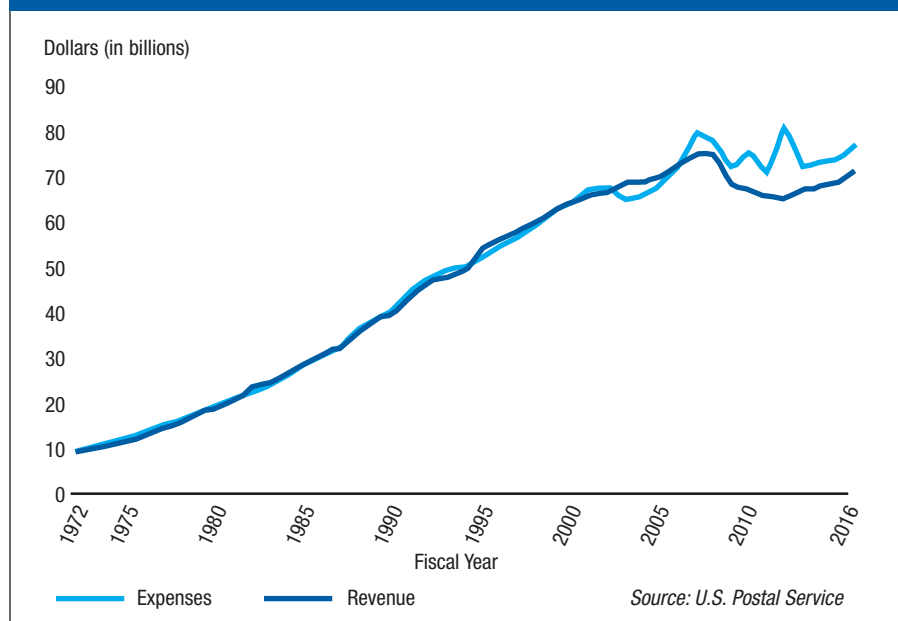
H.R. 756 would calculate the Postal Service's pension costs and liabilities in more accurate ways by using the salary growth and demographic assumptions that are specific to the Postal Service population instead of the government-wide population, as in current law. As proposed, the Postal Service would achieve \$210 million in savings over 10 years, according to a Congressional Budget Office report on a similar bill in the 114th Congress.

Accurate calculation of the Postal Service's pension costs and liabilities was similarly addressed through a pending regulatory change proposed by the Office of Personnel Management on Dec. 22, 2016.

## Clarify MSPB Appeal Rights

The need remains for Congress to clarify current law to assure that all employees in the Executive and Administrative Schedule of the Postal Service may appeal adverse personnel actions to the U.S. Merit Systems Protection Board (MSPB). Currently, 7,500 non-supervisory management personnel are locked out of MSPB

**U.S. Postal Service Revenue and Expenses—Fiscal Years 1972-2016**



appeal rights. H.R. 756 would correct the situation and assure MSPB access to all Postal Service non-bargaining employees, regardless whether they supervise USPS operations. The legislation also would extend MSPB appeal rights to employees of the Postal Service Office of Inspector General.

## Postal Service Health Benefits Program and Medicare Integration

Retiree health care costs represent a significant expenditure for the Postal Service; the agency is the single largest payer into Medicare. It's vital that the agency gets full value from its participation in Medicare and postal retirees receive full value in their participation in Medicare and the Federal Employees Health Benefits Program (FEHBP). By enrolling all postal retirees in Medicare parts A and B, plus additional Part D savings, retiree and USPS interests are satisfied. Medicare integration would save the government roughly \$1.8 billion over the 2017-2026 period, essentially eliminate the Postal Service's unfunded retiree health benefit liability and reduce expenses



by nearly \$17 billion over five years.

H.R. 756 would establish separately rated postal plans within FEHBP beginning January 2019. FEHBP carriers currently insuring at least 1,500 postal employees and retirees, as well as any other carriers, would be permitted to offer postal plans. Postal employees and retirees who elect coverage through

FEHBP would be required to enroll in one of the postal FEHB plans, with the waiver of any late enrollment penalty. Medicare-eligible Postal Service retirees and family members would be automatically enrolled in Medicare parts A and B under H.R. 756. Part D prescription drug coverage would be made available with subsidies for prescription drug benefits within each FEHB plan.

Also under the bill, the Postal Service would cover a decreasing portion of Medicare Part B premiums over a four-year transition period for current retirees transitioned into Medicare as a result of the legislation: 75 percent in the first year, 50 percent in the second year, 25 percent in the third year and 0 percent in the fourth year.

## Governance Reform

Under current law, the Postal Service Board of Governors (BOG) is an 11-member board comparable to a board of directors of a private corporation. The nine presidentially appointed governors choose the postmaster general (PMG), who also serves as a member of the board. These 10, in turn, choose a deputy postmaster general (DPMG), who becomes the 11th member of the



Photo: USPS

board. The PMG and DPMG serve at the pleasure of the governors.

Currently, nine of the 11 USPS Board of Governors positions are vacant; the PMG and the DPMG are the only serving members. Political standoffs in the Senate prevented the confirmation of President Obama's nominees to the BOG during the 114th Congress.

H.R. 756 would reduce the size of the BOG by about half, establishing five presidentially appointed, Senate-confirmed Postal Service governor positions with seven-year terms. In addition, the PMG and DPMG would serve on the board, as they currently do.

Under the legislation, the PMG would be explicitly tasked with responsibility to carry out the power of the Postal Service in a manner consistent with a strategy set by the Board of Governors.

## Cost Savings Through Cluster Boxes

The Government Accountability Office determined in 2014 that cost savings would result through conversion of door-to-door delivery to secure curbside or centralized mailboxes, popular-

ly known as cluster boxes. H.R. 756 would speed up the Postal Service’s ongoing conversion to centralized delivery of business addresses. It also would open the way for voluntary conversion to cluster box delivery of residential addresses identified by the Postal Service where 40 percent of the residents consent to conversion. A conversion waiver would be allowed in cases of physical hardship.

## Postal Rates

The Postal Service is entirely funded by postage and does not rely on taxpayer dollars. That means the Postal Service’s financial stability rests on adequate postage rates. H.R. 756 would allow the Postal Service to increase postal rates for market-dominant products by 2.15 percent, or 1 cent, for a First-Class stamp.

Under the 2006 postal reform law, the Postal Regulatory Commission (PRC) is required in 2017 to undertake its decennial rate review. H.R. 756 establishes priority factors for consideration in the PRC’s review. The bill also would require

the PRC to conduct a one-time review of the Postal Service’s cost allocation methodologies and eliminate the right of state and national political committees to be eligible for non-profit mail rates.

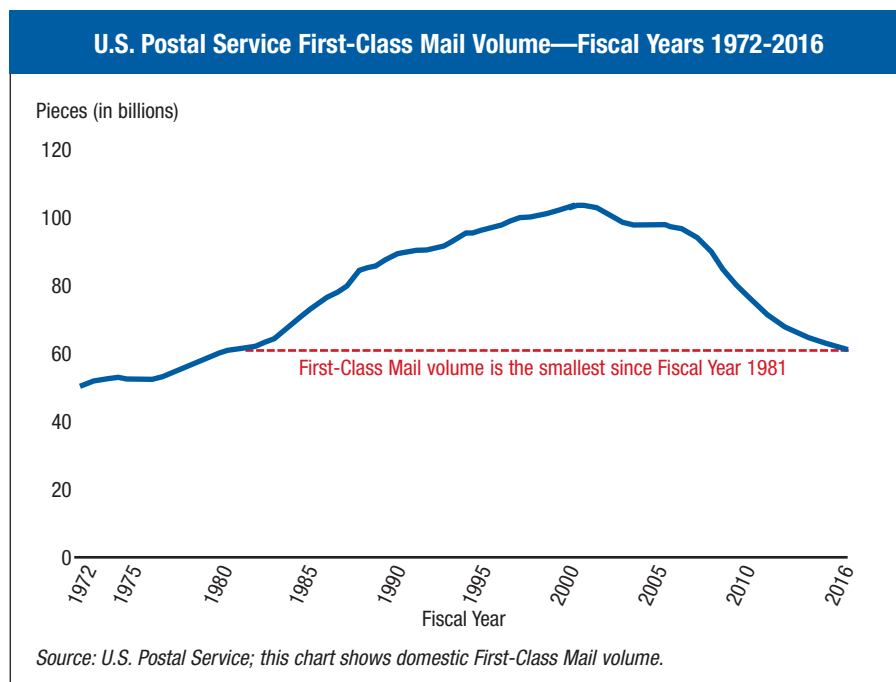
## Innovative Services

The success of the nation’s postal service throughout the past two centuries has rested in its responsiveness to a changing America. In turn, the Postal Service has changed America itself. Robust innovation lies at the heart of the Postal Service’s future.

Under current law, the Postal Service is allowed to partner with federal agencies to provide services on behalf of those agencies. For example, the Postal Service already has a successful arrangement with the U.S. Department of State to accept passport applications at post offices. The Postal Service’s revenue exceeds the costs of providing this service, and the Department of State is able to accept applications at thousands of locations across the country without having to invest

in physical infrastructure or personnel. H.R. 756 would expand these kinds of mutually successful arrangements in the USPS delivery of non-postal services to state, local and tribal governments and other federal agencies.

The bill also would require the Postal Service to establish and appoint a Chief Innovation Officer to manage the Postal Service’s development and implementation of innovative postal and non-postal products and services.





## Post Office Closures

H.R. 756 would require the Postal Service to consider additional factors when evaluating whether or not to close a post office: distance to the next post office, characteristics of the location—including weather and terrain—and the availability of broadband.

It would shorten the deadline for the PRC to review the Postal Service’s decision to close or consolidate a post office from 120 to 60 days. It also would allow communities the opportunity to provide input on their preference as to the closing

or consolidation or alternative options for access to postal services and permit appeals over the closing or consolidation of post office stations and branches.

## Contracting Reforms

H.R. 756 would require the Postal Service and the PRC to issue a policy on delegating contracting authority, posting noncompetitive contract awards meeting certain dollar-value thresholds and improving oversight and response to potential conflicts of interest regarding contracting.

# Additional Ingredients of Postal Reform

## Modernizing Investment of RHBF Assets

Realigning how Retirement Health Benefit Fund assets are invested would provide higher returns and relieve the prefunding burden through those higher returns, as well as reduce the federal deficit. The RHBF currently contains \$55 billion in assets.

NAPS also supports the “Postal Service Financial Improvement Act of 2017,” H.R. 760, introduced by Rep. Stephen Lynch (D-MA), which would authorize the investment of RHBF assets in index funds offered by the Thrift Savings Plan. This would modernize how these funds are invested and bring these investment practices in line with private-sector business and investment practices.

## Limited Banking

Digital services, including limited banking, that complement the Postal Service’s core products and align with the postal mission should be encouraged and authorized by Congress.

The United States had a Postal Savings System from 1911 to 1967, which, in 1947, had \$3.4 billion in assets (more than \$35 billion in today’s dollars) or about 10 percent of the entire commercial banking system. Worldwide, 1.5 billion people receive some financial services through their postal service.

NAPS has supported the restoration of limited postal banking services by the Postal Service. In the 114th Congress, NAPS endorsed the “Providing Opportunities for Savings, Transactions, and Lending (POSTAL) Act of 2015” (H.R. 4422), introduced by Rep. Cedric Richmond (D-LA). A 2014 report by the USPS Office of Inspector General (OIG) found that the Postal Service was well-suited to provide non-bank financial payment and credit services and products to the underserved, some in partnership with the private sector.

The OIG found that one in four U.S. households lives at least partially outside the financial mainstream—without bank accounts or using costly services, such as payday lenders.



# Additional NAPS Legislative Priorities

**1. Opposition to any cuts to the earned retirement and health benefits of federal and postal employees and retirees.** Federal and postal employees and retirees have been promised hard-earned retirement annuities and health benefits essential to their future financial and health security. Cuts in these benefits would break a congressional commitment that deserves to be upheld.

NAPS opposes the following proposals that would break a promise to federal and postal retirees:

- **Reducing the government contribution toward federal health insurance premiums by limiting increases to inflation, rather than the cost of health insurance.** This proposal could cost a federal family upwards of \$50,000 over 10 years, with employees and retirees paying more than 50 percent of total premiums.

- **Using the Chained CPI to determine cost-of-living adjustments (COLAs) for Social Security benefits and federal and military retirement annuities.** Changing CPI measures would reduce the annual adjustment by a half-percentage point on average.

- **Reducing the rate of return on the Thrift Savings Plan G Fund from an average of 2.25 percent to 0.02 percent.** Currently, the G Fund pays interest at a rate about equal to mid-term government bonds. Reducing the rate of return to correspond to short-term rates would deprive millions of federal employees and retirees of earnings that sustain a key portion of their retirement investments.

**2. Opposition to any cuts or net cuts in federal and postal employee pay and compensation.** NAPS opposes across-the-board pay and/or benefit cuts that undermine current federal and postal compensation schedules, threatening the government's ability to recruit and retain an effective workforce, including the following:

- **Increasing federal employee payroll contributions toward retirement without any added improvement in retirement benefits.** (Currently, federal and postal employees hired before 2013 contribute 0.8 percent of their pay

toward retirement. Employees hired in 2013 contribute 3.1 percent of their pay and those hired after 2013 contribute 4.4 percent of their pay toward retirement.)

- **Eliminating the Federal Employees Retirement System (FERS) annuity entirely for new hires without an equivalent matching increase in pay or Thrift Savings Plan contributions.**

**3. Support for reform of the Windfall Elimination Provision to provide relief to current retirees.** The Windfall Elimination Provision (WEP) unfairly reduces earned Social Security benefits based on government employment. The WEP impacts 1.3 million public servants, including federal, state and local employees who earn a pension at work as well as in Social Security. The WEP can dock monthly Social Security benefits as much as \$413 a month.

NAPS supports WEP reform that provides relief from the unfair penalties of the provision. In 2015, Rep. Kevin Brady (R-TX), chairman of the House and Ways and Means Committee, introduced the "Equal Treatment of Public Servants Act," H.R. 711 (114th Congress), which repealed the WEP and based Social Security benefits on real-life earnings and work history.

**4. Opposition to civil service "reform" proposals that erode merit system protections.** NAPS opposes politically motivated "drain the swamp" proposals that attack hard-working, dedicated public servants and threaten to undermine the effectiveness of the federal workforce.

Current due-process protections for most federal and postal employees, such as the right of appeal to the Merit Systems Protection Board over significant personnel actions, ensure that federal employees are hired and fired based on merit—not on their political views or affiliations. These protections were installed by Congress over a century ago to guard against corruption and incompetence that can arise under a spoils system of government. The reasons for these civil service protections remain as valid today and should be preserved.



# Frequently Asked Questions About NAPS and Postal Supervisors

## **What is NAPS?**

The National Association of Postal Supervisors (NAPS) is a management association representing more than 26,000 active and retired postal supervisors, postmasters and managers employed by the U.S. Postal Service. Organized in 1908, NAPS exists to improve the Postal Service and the pay, benefits and working conditions of its members. NAPS is a management association, not a union.

## **Who are typical NAPS members?**

Most are first-line supervisors and managers working in either mail processing or mail delivery—what’s called “operations.” Others are postmasters working in post offices. NAPS represents men and women working in virtually every functional unit in the Postal Service, including sales, human resources, training, corporate relations, law enforcement and health and safety.

## **Where do NAPS members live?**

NAPS members live in all 50 states (and virtually every congressional district), as well as in Puerto Rico, the Virgin Islands and Guam.

## **What legislative issues generally concern NAPS?**

NAPS devotes its greatest attention to legislation that promotes the vitality and stability of the Postal Service. It also supports legislation that assures fairness in the treatment of federal and postal employees and retirees.

## **How have changes in the Postal Service impacted postal supervisors?**

Workforce downsizing and other challenges and changes have dramatically impacted postal supervisors. Approximately 8,000 management positions have been eliminated in the past several years. NAPS supports changes

in the law, infrastructure and operations of the Postal Service that will sustain and modernize the operations and products of the Postal Service, without impairing service.

## **Why is a postal organization concerned about federal employee retirement and health benefits?**

Postal employees and retirees participate in the same pension programs (CSRS and FERS) and the same federal health insurance program (FEHBP) as all federal employees. However, unlike other federal components, the Postal Service is obligated to make prefunding payments for its future retiree health obligations—without the benefit of appropriated taxpayer dollars.

## **How are the wages of postal supervisors set?**

The pay of postal supervisors and postmasters is determined through a “meet and confer” or “consultation” process involving the Postal Service and the two postal management associations. Postal supervisors and postmasters do not receive annual wage cost-of-living adjustments, as do rank-and-file employees, if available. The pay of rank-and-file postal employees is negotiated through collective bargaining between the Postal Service and their unions.

## **How do NAPS members participate in legislative activities?**

Approximately 500 NAPS members gather in Washington, DC, every spring for a three-day legislative conference. Much of that time is spent on Capitol Hill visiting members of Congress. Throughout the year, postal supervisors stay in touch with every representative’s district office and every senator’s state office, providing helpful information about the Postal Service and its operations.

## **How can I reach a postal supervisor?**

Begin by calling NAPS Headquarters at 703-836-9660. Ask for Executive Vice President Ivan D. Butts or another resident officer. NAPS also can provide congressional offices with the names and contact coordinates of its state legislative chairs and branch legislative representatives.

## **How can I get information about NAPS quickly?**

**For general information, visit NAPS' website: [www.naps.org](http://www.naps.org).**

**For more detailed information, contact us by email, mail, phone or fax:**

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