National Association of Postal Supervisors

Legislative Issues Brief

115th Congress, 2nd Session

Five Things to Know About

1 The Postal Service Is Established by the U.S. 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 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 totaled $70 billion in fiscal 2017, rely on the sale of postage and mail products. Congress, in 2006, limited annual increases in postage rates to not exceed inflation.

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. Nearly 200,000 of the Postal Service's employees, representing one-quarter of the Postal Service's workforce, 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 secure and stable careers at the Postal Service.

the Postal Service

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

Even in an increasingly digital world, the Postal Service remains a cornerstone of America's economic and communications infrastructure. In fiscal 2017, it delivered to 157 million homes, businesses and post office boxes in every city, town and village in America. 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. During the past fiscal year, the Postal Service handled 149 billion pieces of mail.

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.

5 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. For 11 years in a row, the American public has rated the Postal Service the most-trusted government agency in the annual Ponemon Institute's annual survey. In addition, the Postal Service ranks as one of the 10 most-trusted companies within the private sector.

The results show that customers 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.

The Time for Postal Reform Is Now

Congress should take action and reform the nation's postal system this year. Responsible legislative proposals have emerged in Congress to put the Postal Service on a more sustainable financial path. NAPS endorses proposals that assure prompt and reliable mail service to all Americans through sufficient postage revenues and efficient postal operations.

NAPS supports the "Postal Service Reform Act of 2017" (H.R. 756), approved by the House Oversight and Government Reform Committee by voice vote on March 16, 2017. The legislation has been referred to the Ways and Means Committee and the Energy and Commerce Committee—without action.

The Threat of Reductions in Mail Service

The U.S. Postal Service may turn to closing and consolidating more mail processing facilities if Congress does not pass postal reform legislation that provides the Postal Service greater financial stability. If the Postal Service proceeds with further plant consolidations, more reductions in service and delivery days likely will occur, harming millions of businesses and households, eliminating thousands of jobs, eroding the Postal Service brand and further reducing Postal Service revenue.

Serious concerns about USPS plant consolidations and their slow-down in mail service have been raised in the past by the Government Accountability Office, the Office of Inspector General of the Postal Service and members of Congress. Members of Congress also have raised concerns about the willingness of the Postal Service to provide communities with the opportunity to provide input on the consolidations.

In 2015, the Postal Service continued cost-cutting efforts to consolidate 82 mail processing facilities in 37 states. The 2015 initiative represented Phase II of the "Mail Processing Network Rationalization Plan" that the Postal Service first announced in 2012. Under Phase I, the Postal Service consolidated 141 processing facilities.

The Postal Service suspended the completion of Phase II in 2015, after it had consolidated 37 processing facilities earlier in the year. The agency refrained from continuing with consolidating the remaining 45 processing facilities in Phase II because of congressional resistance and concerns over erosion in mail service quality as a result of the prior consolidations. Steady declines in mail service quality occurred in the Overnight and three- to five-day markets as a result of the prior consolidations.

The Ingredients of Postal Reform

NAPS believes that meaningful postal reform requires the assurance of prompt and reliable mail service to all Americans through sufficient postage revenues and efficient postal operations. Postal reform includes the following features:

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 $5.7 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.

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.

As required by the 2006 postal reform law, the Postal Regulatory Commission (PRC) in 2017 undertook a 10-year review of the Postal Service's rate structure and cost allocation methodologies, finding that the current rate structure has not maintained the financial health of the Postal Service. The PRC recommended a new approach toward generating positive net income and retained earnings, relying on an increase in postage rates of 2 percent per year for the next five years and a possible additional 1 percent increase each year when the Postal Service has demonstrated need and adequate service performance. (The PRC's rate review was instituted subsequent to the introduction of H.R. 756.)

Confirm MSPB Appeal Rights for USPS Managers

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. Currently, 7,500 non-supervisory management personnel are locked out of MSPB 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 Office of Inspector General of the Postal Service.

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 USPS gets full value from its participation in Medicare and that postal retirees receive full value in their participation in Medicare and the Federal Employees Health Benefits Program (FEHBP).

H.R. 756 would enroll nearly all postal retirees in Medicare Parts A and B, saving the Postal Service $34 billion over 10 years, according to the Congressional Budget Office. Almost all postal employees and retirees who elect coverage through FEHBP would be required to enroll in

one of the postal FEHBP plans. Medicare-eligible Postal Service retirees and family members would automatically be enrolled in Medicare Parts A and B. Retirees would be excluded from enrollment in cases of hardship on a case-by-case basis.

Under the bill, the Postal Service would cover a decreasing portion of the Medicare Part B premium for current retirees transitioned into Medicare as a result of the legislation over a four-year transition period: 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.

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 specific to the Postal Service population instead of the government-wide population, as in current law. This could achieve more than $2.5 billion in savings in the next year five years. 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.

Governance Reform

Currently, nine of the 11 positions of the USPS Board of Governors (BOG) are vacant. The Postmaster General (PMG) and the deputy PMG are the only serving members. The President nominated three BOG nominees in late 2017.

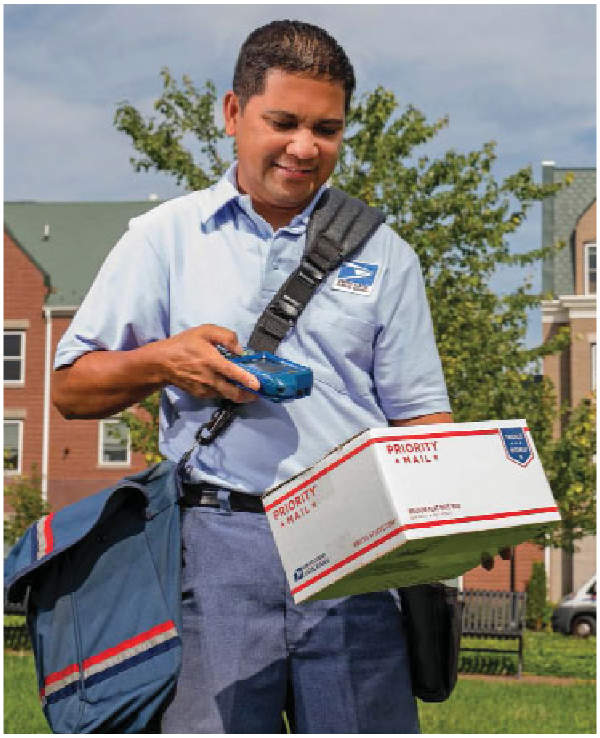
H.R. 756 would reduce the size of the BOG by about half, establishing five presidentially appointed, Senate-confirmed Postal Service Governor positions with seven-year terms. In addition, the PMG and the deputy PMG would serve on the board, as they currently do. Under the legislation, the PMG is explicitly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

Cost savings would result through conversion of door-to-door delivery to secure curbside or centralized mailboxes, popularly known as cluster boxes, the Government Accountability Office found in 2014.

Innovative Services

The success of the nation's postal service throughout the past two centuries has rested in its responsiveness to a changing America. H.R. 756 would expand mutually successful arrangements in USPS delivery of non-postal services to state, local and tribal governments and other federal agencies. It 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.



Additional Ingredients of Postal Reform

Modernizing Investment of RHBF Assets

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

NAPS supports the "Postal Service Financial Improvement Act of 2017," H.R. 760, introduced by Rep. Stephen Lynch (D-MA). It was approved by the House Oversight and Government Reform Committee on March 16, 2017. The legislation 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 supports the restoration of limited postal banking services by the Postal Service and has endorsed the "Providing Opportunities for Savings, Transactions, and Lending (POSTAL) Act of 2017," H.R. 3617, introduced by Rep. Cedric Richmond (D-LA). The legislation would expand the specific powers of the Postal Service to include the provision of basic financial services, including small-dollar loans, checking accounts, interest-bearing savings accounts and services relating to international money transfers.

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, 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 reliant only on costly payday lenders.

End the Ban on USPS Shipment of Alcoholic Beverages

NAPS supports the bipartisan "United States Postal Service Shipping Equity Act," H.R. 4024, introduced by Rep. Jackie Speier (D-CA) and 22 original co-sponsors. The bill would end the Prohibition-era ban that prevents the Postal Service from shipping alcoholic beverages to consumers.

Consumers and manufacturers currently are prohibited from using the Postal Service to ship or deliver alcoholic beverages. These needless restrictions hurt Postal Service market share and revenues because private shippers, such as UPS and FedEx, are exempt from such rules. The Postal Service has estimated that its shipment of alcoholic beverages would annually generate $50 million in new revenue.

The USPS Shipping Equity Act would allow the USPS to ship alcoholic beverages directly from licensed producers and retailers to consumers over the age of 21, in accordance with state shipping regulations.

Enough Is Enough

The Price Already Paid by Federal and Postal Employees for Deficit Reduction

With budget issues continuing to remain unresolved on Capitol Hill, some members of Congress may be inclined to look to offset spending increases with cuts in the retirement and health benefits of federal and postal employees. In doing so, members of Congress should be mindful of the significant contributions already made by federal employees toward deficit reduction and the contributions they make toward keeping the nation safe and prosperous.

NAPS remains opposed to any cuts in 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 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.

The fiscal 2019 budget proposed by the Trump administration, most notably, would cut federal retirement benefits and require employees to pay more for their benefits, eliminate the FERS Special Retirement Supplement, cut Thrift Savings Plan benefits, eliminate or reduce the COLA for retirees and turn the Federal Employees Health Benefits Program into a voucher program. NAPS vigorously opposes these proposals.

Time and time again, federal employee and retiree pay and benefits have been used to offset other spending priorities. Since 2011, federal employees and retirees have contributed more than $120 billion toward deficit reduction. Federal employee paychecks were frozen for three years starting in 2011, followed by three years of reduced pay increases. Postal Service managers and employees, paid under different pay systems, received similar treatment from 2009 to 2014.

In 2013 and 2014, Congress increased newly hired federal employee contributions toward their retirement benefits to offset the costs of the "Middle Class Tax Relief and Job Creation Act of 2012" and the "Bipartisan Budget Act of 2013." Finally, in 2013, federal employees faced forced furloughs due to Congress' inaction on sequestration, for which they did not receive back pay.

Congress needs to find ways to fund government operations in the most sensible ways possible without wasting taxpayer funds, but not at the expense of the federal employee community. These are the men and women who deliver our mail, protect our borders, conduct food-safety inspections, care for our veterans and warn the American public of natural disasters. Their careers have been humbly built on serving their county and the American people. They are neither the cause nor the solution to this country's deficits and its debt. Neither should they be the scapegoats.

Federal Employee Deficit Reduction Contributions

2011 + 2012 + 2013 federal pay freezes	**$98 billion**
Increased retirement contributions for federal employees hired in 2013	**$15 billion**
Lost wages due to sequestration-related furloughs	**$1 billion**
Increased retirement contributions for federal employees hired in 2014 and beyond	**$6 billion**
Total	**$120 billion**

Source: NARFE Fact Sheet

Bills To Co-Sponsor

The National Association of Postal Supervisors encourages House and Senate lawmakers to co-sponsor the following respective bills:

H.R. 756—Postal Service Reform Act of 2017

Primary Sponsor: Rep. Jason Chaffetz (R-UT-3, retired), introduced Jan. 31, 2017
Contact: House Oversight and Government Reform Committee, 202-225-5074

This bill is the primary House vehicle for postal reform. The legislation seeks to restore the financial solvency and improve the governance of the Postal Service in order to ensure the efficient and affordable nationwide delivery of mail.

H.R. 760—Postal Service Financial Improvement Act of 2017

Primary Sponsor: Rep. Stephen Lynch (D-MA-8), introduced Jan. 31, 2017
Contact: Bruce Fernandez, (202) 225-8273
bruce.fernandez@mail.house.gov

The bill would authorize the investment of Postal Service Retirement Health Benefit Fund 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.

H.R. 942—Postal Employee Appeal Rights Amendments Act

Primary Sponsor: Rep. Gerald E. Connolly (D-VA-11), introduced Feb. 7, 2017
Contact: Kristine Lam, 202-225-1492
kristine.lam@mail.house.gov

The bill would confer to approximately 7,500 non-supervisory managerial postal employees the right to appeal significant personnel actions to the Merit Systems Protection Board. Non-supervisory postal personnel currently may appeal such actions only through an internal USPS process that lacks impartial third-party review. Postal supervisory personnel and nearly all federal civil service employees already enjoy MSPB appeal rights.

H.R. 3617—Providing Opportunities for Savings, Transactions, and Lending Act of 2017 or the POSTAL Act of 2017

Primary Sponsor: Rep. Cedric Richmond (D-LA-2), introduced July 26, 2017
Contact: Joe Lustig, 202-225-6636
joseph.lustig@mail.house.gov

The bill would expand the specific powers of the Postal Service to include the provision of basic financial services, including small-dollar loans, checking accounts, interest-bearing savings accounts and services relating to international money transfers.

H.R. 4024—United States Postal Service Shipping Equity Act

Primary Sponsor: Rep. Jackie Speier (D-CA-14), introduced Oct. 11, 2017
Contact: Alexandria Musser, 202- 225-3531
alexandria.musser@mail.house.gov

The bill would end the Prohibition-era ban that prevents the Postal Service from shipping alcoholic beverages to consumers. It would allow the USPS to ship alcoholic beverages directly from licensed producers and retailers to consumers over the age of 21, in accordance with state shipping regulations. Consumers and manufacturers currently are prohibited from using the Postal Service to ship or deliver alcoholic beverages. These needless restrictions hurt Postal Service market share and revenues; private shippers, such as UPS and FedEx, are exempt from such rules.

Frequently Asked Questions About

What is NAPS?

The National Association of Postal Supervisors (NAPS) is a management association representing over 25,000 active and retired postal supervisors, postmasters and managers employed by the United States 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. 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.

NAPS and Postal Supervisors

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 NAPS. 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?

Hundreds of 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 remain 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 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

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

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