UNITED STATES POSTAL SERVICE

Fiscal Year 2007 Budget
Congressional Submission

Finance
Budget and Financial Analysis

U.S. POSTAL SERVICE
FY 2007 BUDGET

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U.S. POSTAL SERVICE
Appropriations

The following schedules reflect the Postal Service's budget request for Fiscal Year 2007.

Revenue Forgone

The Postal Service requests funding in Fiscal Year 2007 for revenue forgone on free mail for the blind and overseas voting, plus reconciliation amounts for past years, consistent with 39 U.S.C. §2401(c).

Revenue Forgone Reform Reimbursement

The Postal Service requests funding authorized under 39 U.S.C. §2401 (d) as reimbursement for losses incurred as a result of insufficient appropriations in Fiscal Years 1991 through 1993, and to compensate for revenues not received as a result of the rate phasing provisions of 39 U.S.C. §3626 (a) (3) (B).

Public Service Costs

For public service costs, 39 U.S.C. §2401(b)(1)(G) authorizes, for years after Fiscal Year 1984, an amount equal to 5 percent of the Post Office Department's Fiscal Year 1971 appropriation. This amounts to $460,000,000, however, section 2401(b)(2) authorizes the Postal Service to reduce such percentage, including a reduction to zero.

The Postal Service has operated without this appropriation since Fiscal Year 1982, therefore, no appropriation for public service costs is requested during Fiscal Year 2007.

The following schedule provides a summary of the appropriations requested and recommended level of funding.

U.S. POSTAL SERVICE

Appropriations Summary

(in thousands of dollars)

	Public Service Costs	Revenue Forgone	Emergency Preparedness Costs	Total
FY 2005:				
USPS Request	...	104,881	779,000	883,881
OMB Proposal	...	61,709	...	61,709
Consolidated Appropriations Act, 2005 -- Public Law No. 108-447 :		a/		a/
Available October 1, 2004	...	29,000	507,000	536,000
Available October 1, 2005	...	61,709	...	61,709
FY 2006:				
USPS Request	...	137,518	51,000	188,518
OMB Proposal	...	87,350	...	87,350
Transportation, Treasury, Housing and Urban Development, the Judiciary, and Independent Agencies Appropriation Act, 2006 -- Public Law No. 109-115 :				
Available, October 1, 2005	...	43,350	...	43,350
Available, October 1, 2006	...	73,000	...	73,000
FY 2007:				
USPS Request	...	152,735	...	152,735
OMB Proposal	...	79,915	...	79,915

a/ $36,521 thousand was advance funded from FY 2004 pursuant to P.L. No. 108-199 and became available 10/01/04.

THIS SCHEDULE, AND SUBSEQUENT SCHEDULES IN THIS BUDGET SUBMISSION, DO NOT REFLECT AMOUNTS RESCINDED IN RECENTLY ENACTED APPROPRIATION BILLS.

U.S. POSTAL SERVICE
Appropriations Summary
(In thousands of dollars)

	FY 2005			FY 2006			FY 2007	
	Request	OMB Proposal	P.L. No. 108-447	Request	OMB Proposal	P.L. No. 109-115	Request	OMB Proposal
A. Total Budget Authority (Appropriations).....	883.881	61,709	597,709	188,518	87,350	116,350	152,735	79,915
B. Program by Activity:								
1. Public Service Costs.....	...	...	...	...	...	...	...	...
2. Free for the Blind and Overseas Voting	69,803	55,631	55,631 a/ b/	79,935	58,767	58,767 c/	80,127	60,725
3. Free and Reduced-rate Mail: Reconciliation Adjustment	6,078	6,078	6,078 a/ b/	28,583	28,583	28,583 c/	43,608	19,190
4. Revenue Forgone Reform Reimbursement	29,000	...	29,000	29,000	...	29,000	29,000	...
5. Emergency Preparedness Costs	779,000	...	507,000	51,000 d/	...	...	...	...
Total Appropriations	883,881	61,709	597,709	188,518	87,350	116,350 c/	152,735	79,915

a/ An additional $36,521 thousand was advance funded from FY 2004 pursuant to P.L. No. 108-199 and became available 10/1/04.
b/ Includes $61,709 thousand, not available until 10/1/05.
c/ Includes $43,350 thousand available in FY2006 and $73,000 thousand not available until 10/1/06.

d/ A FY2006 request of $779,000,000 was authorized by the Postal Service Board of Governors (BOG) subject to reduction if Congressional action provided funding in FY2005 for this purpose. Public Law 108-447 subsequently provided FY2005 funding of $507,000,000 for Emergency Preparedness activities which would have automatically reduced this request to $272,000,000. However, on February 16, 2005 the BOG authorized reduction of this request to $51,000,000.

U.S. POSTAL SERVICE
Federal Funds

General and special funds:

Payment to the Postal Service Fund

For payment to the Postal Service Fund for: (1) current revenue forgone on free and reduced-rate mail for the blind and overseas voting, plus reconciliation amounts for past years pursuant to subsection 39 U.S.C. §2401(c) , $123,735,000 ; and (2) reimbursement of losses incurred as a result of insufficient appropriations for revenue forgone on free and reduced-rate mail pursuant to 39 U.S.C. §2401(d), $29,000,000.

Program and Financing
(in thousands of dollars)

	FY 2005 Actual	FY 2006 Actual	FY 2007 Request	FY 2007 OMB Proposal
Program by activities:				
Payment to the Postal Service fund for:				
Revenue forgone on free and reduced-rate mail:				
Current year	55,631	58,767	80,127	60,725
Reconciliation adjustment	6,078	28,583	43,608	19,190
Subtotal	a/ b/ 61,709	c/ 87,350	123,735	79,915
Revenue forgone reform reimbursement:	29,000	29,000	29,000	...
Subtotal , free and reduced-rate mail	a/ b/ 90,709	c/ 116,350	152,735	79,915
Emergency Preparedness Costs	507,000	...	...	...
Total payment to the Postal Service Fund (total obligations(41.0)	a/ b/ 597,709	c/ 116,350	152,735	79,915
Financing:				
Budget authority (appropriations)	a/ b/ 597,709	c/ 116,350	152,735	79,915

a/ Includes $61,709 thousand not available until 10/1/05.
b/ An additional $36,521 thousand was advance-funded from FY 2004 pursuant to P.L. No. 108-199.
c/ Includes $43,350 thousand available in FY 2006 and $73,000 thousand not available until 10/1/06.

U.S. POSTAL SERVICE
Federal Funds

Payment to the Postal Service Fund

Program and Financing, Cont'd
(in thousands of dollars)

	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	
			Request	OMB Proposal
Relation of obligations to outlays: Obligations incurred, net	a/ b/ 597,709	c/ 116,350	152,735	79,915
Outlays	a/ b/ 597,709	c/ 116,350	152,735	79,915

a/ Includes $61,709 thousand, not available until 10/1/05.
b/ An additional $36,521 thousand was forward-funded from FY 2004 pursuant to P.L. No. 108-199.
c/ Includes $43,350 thousand available in FY 2006 and $73,000 thousand, not available until 10/1/06.

An appropriation of $80,127,000 is for reimbursing the Postal Service for providing free mail for the blind and overseas voting; $43,608,000 is a reconciliation adjustment for revenue forgone on free and reduced-rate mail; and $29,000,000 is for partial reimbursement for losses incurred during FY1991– FY1998 as a result of insufficient appropriations for revenue forgone.

The following table represents the estimated revenue forgone by the Postal Service in Fiscal Year 2006 for carrying certain categories of mail for free.

U. S. POSTAL SERVICE
APPROPRIATIONS

Justifications

a. FY 2007 Appropriation request for Free for the Blind and Overseas Voting mail, $80,127,000:

(in thousands of dollars)

ITEM	FY 2005	FY 2006		FY 2007	
	Amount	Amount	Change from Prior Year	Amount	Change from Prior Year
A. Free for the Blind	55,576	59,389	3,813	79,859	20,470
B. Overseas Voting	55	1,336	1,281	268	-1,068
Total, Free for the Blind and Overseas Voting	55,631	60,725	5,094	80,127	19,402

An appropriation of $80,127,000 is requested for free mail for the blind and overseas voting which provides funding for:

Certain matter for use by the blind or other persons who cannot use or read conventionally printed materials because of physical impairment can be mailed free of postage. In order to qualify, there must be no charge, rental, subscription, or other fee required for such matter.

Items mailable free by a qualifying person include unsealed letters, sound reproductions, Braille writers or typewriters, and educational or other materials or devices specifically designed or adapted for use of a visually handicapped person.

Absentee balloting materials can be mailed free by members of the Armed Forces and other U.S. citizens residing outside the territorial limits of the United States, and in bulk between state and local election officials.

Justifications - Cont'd

b. Reconciliation Adjustment, Revenue Forgone, $43,608,000:

(in thousands of dollars)

ITEM	FY 2005	FY 2006		FY 2007	
	Amount	Amount	Change from Prior Year	Amount	Change from Prior Year
Reconciliation adjustment	6,078	28,583	22,505	43,608	15,025

Under 39 U.S.C. §2401(c) the Postal Service continues to be instructed to include in its annual revenue forgone funding requests "an amount to reconcile sums authorized to be appropriated for prior fiscal years on the basis of estimated mail volume with sums which would have been authorized if based on the final audited mail volume." This instruction to seek reconciliation adjustments was not changed by section 703(a) of the Revenue Forgone Reform Act (RFRA) of 1993, which eliminated the appropriation for the revenue forgone on the various types of reduced-rate mail provided under section 3626 of title 39 (while keeping the funding mechanism for free mail for the blind and overseas voting intact).

In cooperating to meet the accelerated financial reporting requirements contained in OMB Circular A-136, the Postal Service has advanced its year-end closing processes, financial calculations, and its independent financial audit. As a result of the accelerated closing processes, it was possible to advance our calculation of the reconciliation adjustment for Fiscal Year 2005. Therefore, this FY 2007 request includes a reconciliation adjustment for two years (FY2004 and FY2005) rather than only one year, as is usually the case.

U. S. POSTAL SERVICE
APPROPRIATIONS

Justifications - Cont'd

The Postal Service, in accordance with the objectives established in the Postal Reorganization Act by the Congress, is therefore submitting a reconciliation adjustment of $43,608,000 to adjust the reimbursement for services performed on Free Mail for the Blind and Overseas Voting mail during Fiscal Year 2004 and Fiscal Year 2005. Amounts appropriated to the Postal Service for Fiscal Years 2004 and 2005 were based on estimates that appropriations amounting to $55,238,000 would be required for FY 2004 and $55,631,000 for FY 2005. However, audited mail volumes indicate that $74,428,000 was actually required to fully reimburse the Postal Service for services provided during FY 2004 and $80,049,000 during FY 2005. Therefore, balances of $19,190,000 relating to FY 2004 and $24,418,000 relating to FY 2005 remain unpaid for which reimbursement is requested in this Fiscal Year 2007 appropriation request.

(in thousands of dollars)

	Free for the Blind	Overseas Voting	Reduced-rate Mail	Total	Reconciliation Adjustment
FY 2002:					
Based Upon Final Audited Mail Volume.....	59,065	3,316	...	62,381	
Appropriation Received	56,132	171	...	56,303	
Reconciliation Adjustment – Funded in FY 2005.....	2,933	3,145	...	------>	6,078
FY 2003:					
Based Upon Final Audited Mail Volume.....	73,163	4,130	...	77,293	
Appropriation Received a/	48,423	277	...	48,710	
Reconciliation Adjustment – Funded in FY 2006.....	24,740	3,843	...	------>	28,583
FY 2004:					
Based Upon Final Audited Mail Volume.....	73,889	539	...	74,428	
Appropriation Received b/.....	54,663	575	...	55,238	
Reconciliation Adjustment	19,226	-36		19,190	
FY 2005:					
Based Upon Final Audited Mail Volume	79,380	669	...	80,049	
Appropriation Received	55,576	55	...	55,631	
Reconciliation Adjustment	23,804	614		24,418	
Reconciliation Adjustment - FY 2007 Request.....	43,030	578	...	------>	43,608

a/ Received Oct. 1, 2002. Reflects 0.59% rescission authorized by the Miscellaneous Appropriations and Offsets Act, 2004, (*P. L. 108-59*)
b/ Received Oct. 1, 2004. Reflects 0.80 % rescission authorized by the Consolidated Appropriations Act, 2005 (P.L.108-477)

U. S. POSTAL SERVICE
APPROPRIATIONS

Justifications - Cont'd

FY 2007 Appropriation Request for Revenue Forgone Reform Reimbursement, $29,000,000:

(in thousands of dollars)

ITEM	FY 2005	FY 2006		FY 2007	
	Amount	Amount	Change from Prior Year	Amount	Change from Prior Year
Revenue Forgone Reform Reimbursements Current Year Installment	29,000	29,000	...	29,000	...
Total	29,000	29,000	...	29,000	...

The Revenue Forgone Reform Act of 1993 authorizes $29,000,000 to be appropriated to the Postal Service for each of Fiscal Years 1994 through 2035 for revenue forgone reform reimbursement to provide reimbursement to the Postal Service for losses incurred as a result of insufficient amounts appropriated under section §2401(c) for Fiscal Years 1991 through 1993, and to compensate for the additional revenues it is estimated the Postal Service would have received under the provisions of section §3626(a) for the period beginning October 1, 1993, and ending on September 30, 1998, if the fraction specified in sub-clause (VI) of section §3626(a)(3)(B)(ii) were applied with respect to such period instead of the respective fractions specified in sub-clauses (I) though (V) thereof.

U. S. POSTAL SERVICE
ADVANCE APPROPRIATIONS – REVENUE FORGONE

The purpose of this schedule is to assist in tracking rescinded amounts as impacted by the advance funding of Revenue Forgone appropriations.

(in thousands of dollars)

Authorized for	Amount		Received During FY 2004	FY 2005	FY 2006	FY 2007
FY 2004:						
Free Mail for the Blind and Overseas Voters	55,685	a/	*[48,999] b/*	55,685		
Reconciliation Adjustment (re: FY 2001)	-19,164	a/	*[-17,985] b/*	-19,164		
Revenue Forgone Reform Reimbursement	29,000		29,000			
Total Appropriated, *PL 108-199*	65,521		60,014			
Less: 0.59% Rescinded by *Miscellaneous Appropriations and Offsets Act, 2004 (P.L. 108-199)*			-354			
Amount Received			59,660			
FY 2005:						
Free Mail for the Blind and Overseas Voters	55,631	a/		...	55,631	
Reconciliation Adjustment (re: FY 2002)	6,078	a/		...	6,078	
Revenue Forgone Reform Reimbursement	29,000			29,000		
Total Appropriated, *PL 108-447*	90,709			65,521		
Less 0.80% Rescinded by *Consolidated Appropriations Act, 2005 (PL 108-447)*				-524		
Amount Received				64,997		
FY 2006:						
Free Mail for the Blind and Overseas Voters	58,767	a/				58,767
Reconciliation Adjustment (re FY 2003)	28,583	a/			14,350	14,233
Revenue Forgone Reform Reimbursement	29,000				29,000	
Total Appropriated, *PL 109-115*	116,350				105,059	73,000
Less 1.00% Rescinded by Transportation, Treasury, Housing and Urban Development, the Judiciary and Independent Agencies Appropriations Act, 2006 (PL 109-115)					-1,051	
Amount Received					104,008	

a/ Advance Funding *b/ Advance funded from FY2003 (P.L. 108-7)*

UNITED STATES POSTAL SERVICE

Fiscal Year 2007 Budget
Congressional Submission
PART II
Financial Statements

U.S. POSTAL SERVICE

The Postal Reorganization Act of 1970 (PRA), Public Law 91-375, converted the Post Office Department into the U.S. Postal Service, an independent establishment within the executive branch. The Postal Service commenced operations July 1, 1971. This agency is charged with providing reliable mail service at reasonable rates and fees.

The U.S. Postal Service is governed by an 11-member Board of Governors, including 9 Governors appointed by the President, the Postmaster General who is selected by the Governors, and the Deputy Postmaster General who is selected by the Governors and the Postmaster General.

Decisions on changes in domestic rates and postage and fees for postal services are recommended to the Governors of the Postal Service by the independent Postal Rate Commission after a hearing on the record under the Administrative Procedure Act. The Commission also recommends decisions on changes in the domestic mail classification schedule to the Governors. Decisions of the Governors on rates of postage, fees for postal services, and mail classification are final, subject to judicial review.

Programs - Included are all postal activities providing window services; processing, delivery, and transportation of mail; research and development; administration of postal field activities; and associated expenses of providing facilities and equipment.

Financing - The activities of the U.S. Postal Service are financed from the following sources: (1) mail and services revenue; (2) reimbursements from Federal and non-Federal sources; (3) proceeds from borrowing; (4) interest from U.S. securities and other investments; and (5) appropriations by the Congress. All receipts and deposits are made to the Postal Service Fund and are available without fiscal year limitation for payment of all expenses incurred, retirement of obligations, investment in capital assets, and investment in obligations and securities.

U.S. POSTAL SERVICE

Section 2005 of Title 39, United States Code, authorizes the Postal Service to borrow money and to issue obligations for this purpose. Through the end of Fiscal Year 1990, the aggregate amount of such obligations outstanding at any one time was limited to $10 billion. This maximum amount was increased to $12.5 billion in Fiscal Year 1991 and to $15.0 billion for Fiscal Year 1992 and each fiscal year thereafter. Also beginning in Fiscal Year 1991, the net increase in amounts outstanding in any year may not exceed $2.0 billion in obligations issued for the purpose of capital improvements and $1.0 billion for the purpose of defraying operating expenses. As of September 30, 2006, it is expected that the total debt instruments issued and outstanding pursuant to this authority will amount to $1.8 billion.

The PRA created an independent Postal Service with a mandate to operate in a business-like manner and to report its finances using business-like accounting and budgeting. As a result, the Postal Service adopted an accrual accounting system, which follows generally accepted accounting principles, in which capital expenditures are charged to expense through depreciation over an asset's useful life. This provides an allocation of costs to the years in which an asset's benefits are received. A cash accounting approach, as used by the Federal Government, ignores the fact that valuable assets are acquired by the Postal Service and funded through postage rates set to recover the cost of those assets over their useful lives rather than in one year. Consistent with the purpose of the Act, the Office of Management and Budget (OMB) removed all Postal Service financial transactions except those involving appropriations, such as the revenue forgone payments for free and reduced-rate mail, from the Federal Government's budget and deficit calculations in Fiscal Year 1974. This action placed the Postal Service off-budget.

However, with the Fiscal Year 1986 Federal Budget, OMB placed the Postal Service back on-budget. As a result, the way capital expenditures are treated under the government's cash-basis system improperly made it appear that the "break-even" mandate of the Postal Service consistently adds to the Federal deficit in the near-term.

Enactment of the Budget Reconciliation Act of 1989 once again placed the Postal Service Fund off-budget. Effective with Fiscal Year 1990, receipts and disbursements of the Postal Service Fund are not considered as part of the Congressional and executive budget process relating to calculations under the Balanced Budget and Emergency Deficit Control Act of 1985.

U.S. POSTAL SERVICE

Omnibus Budget Reconciliation Act of 1987 (OBRA of 1987)

The OBRA of 1987 required the Postal Service to make payments of $350 million to the Civil Service Retirement and Disability Fund and $160 million to the Employees Health Benefits Fund in Fiscal Year 1988. Also required was a $270 million payment in 1989 to the Employees Health Benefits Fund. Funds for the 1988 and 1989 health benefit payments were derived from operating budget savings. An escrow account was also established with the U.S. Treasury into which the Postal Service deposited $465 million on October 31, 1988. The escrow was terminated and the funds returned on October 1, 1989. Excluding the temporarily escrowed funds, this legislation required Postal Service payments totaling $780 million during 1988 and 1989.

The Act also limited Postal Service capital investment commitments to $625 million in Fiscal Year 1988. Compared to the original Fiscal Year 1988 capital investment plan, these restrictions reduced Fiscal Year 1988 capital commitments by $1.736 billion for a 74 percent reduction. The Act also limited Fiscal Year 1989 capital commitments to $1.995 billion, a reduction of $635 million or 24 percent from the original plan.

Omnibus Budget Reconciliation Act of 1989 (OBRA of 1989)

The OBRA of 1989 included several provisions affecting the Postal Service's budget for 1990 and the budgets of future years.

The OBRA of 1989 placed the Postal Service Fund off budget effective in Fiscal Year 1990. It excludes postal receipts and disbursements from the totals in the President's Budget, the Congressional Budget Resolution and Gramm-Rudman-Hollings Act sequestration. Appropriations to USPS remain on-budget.

Payments to the Department of Labor for USPS workers' compensation are accelerated. Beginning in September 1990, all future payments normally due in mid-October will be made during the preceding September. This change resulted in two payments during Fiscal Year 1990 and causes all subsequent payments to be advanced one fiscal year. The OBRA of 1989 made USPS liable for CSRS COLA payments to USPS annuitants (or their survivors) who retire from USPS after 9/30/86. It also made USPS liable for the employer's share of health benefits costs of survivors of former USPS employees who died after 9/30/86.

U.S. POSTAL SERVICE

Debt Ceiling Legislation

Legislation enacted December 12, 1989, also increased Postal Service borrowing authority. The following changes have been made to Postal Service statutory borrowing authority:

- Maximum total outstanding borrowing was increased from $10.0 billion to $12.5 billion in Fiscal Year 1991 and to $15.0 billion for Fiscal Year 1992 and each fiscal year thereafter.
- Maximum annual net increase in obligations outstanding for capital improvements increased to $2.0 billion.
- Maximum annual net increase in obligations outstanding for operating expenses increased to $1.0 billion.

Omnibus Budget Reconciliation Act of 1990 (OBRA of 1990)

The OBRA of 1990 affected the Postal Service as follows:

- Existing laws which required the Postal Service to fund Civil Service Retirement System (CSRS) cost-of-living adjustments (COLA) and Federal Employees Health Benefit Program (FEHBP) premiums only for postal annuitants who retired after September 30, 1986, and their survivors, were rescinded.
- Effective October 1, 1990, the Postal Service is required to fund the CSRS COLAs for postal annuitants who retired after June 30, 1971, and their survivors. Each year's liability will be prorated and the Postal Service's portion will reflect only Federal civilian employment service occurring after June 30, 1971. This liability will be amortized over 15 years at 5 percent interest.
- Effective October 1, 1990, the Postal Service is required to fund the employer's share of FEHBP insurance premiums for postal annuitants who retired after June 30, 1971, and their survivors. These costs are apportioned and the Postal Service's share reflects only Federal civilian employment service occurring after June 30, 1971.

OBRA of 1990 – cont'd

- The Postal Service is liable for the retroactive CSRS COLA and FEHBP premium payments that would have been required between July 1, 1971, and September 30, 1986, if the provisions described previously had been in effect since July 1, 1971. This retroactive liability was reduced by $780 million representing the extraordinary Postal Service payments required by the Omnibus Budget Reconciliation Act of 1987 and the remaining balance was liquidated during FY 1991-1995.

- Included several reforms to the FEHBP to help control FEHBP premium increases beginning in FY 1991.

Omnibus Budget Reconciliation Act of 1993 (OBRA of 1993)

The OBRA of 1993 obligated the Postal Service to pay interest on the retroactive assessments due under the OBRA of 1990. The OBRA of 1993 assessment represents interest at 5 percent on the employer's portion of annuitant COLAs and health benefits, previously paid by the U. S. Government, that the Postal Service would have paid had the provisions of the OBRA of 1990 been in effect from July 1, 1971 through September 30, 1986. This interest assessment, totaling $1.041 billion, was paid in three equal annual installments beginning September 30, 1996.

Balanced Budget Act of 1997

Under the Postal Reorganization Act of 1971, the U.S. Government remained responsible for payment of all Post Office Department workers' compensation claims incurred before July 1, 1971 and the newly created Postal Service was responsible only for its own workers' compensation claims. However, the Balanced Budget Act of 1997 repealed the authorization for transitional appropriations to the Postal Service under which funding had been provided for the liabilities of the former Post Office Department to the Employees' Compensation Fund. Effective October 1, 1997, these remaining claims became liabilities of the Postal Service payable out of the Postal Service Fund. At September 30, 1997, the discounted present value of these liabilities was estimated at $258 million.

U.S. POSTAL SERVICE

Revenue Forgone Reform Act of 1993

Congress did not fund Postal Service revenue forgone requests at amounts that were required to fully fund the services rendered during fiscal years 1991, 1992, and 1993. These unpaid appropriation shortfalls totaled $516 million as of September 30, 1993. The Revenue Forgone Reform Act of 1993 (Act) was enacted to provide funding for these appropriation shortfalls as well as for the cost of phasing out certain aspects of the revenue forgone program (estimated at $702 million) during fiscal years 1994 through 1998. The Act authorizes the total of $1.218 billion payable to the Postal Service in 42 annual installments of $29 million each, without interest, during 1994 through 2035, as reimbursement for these amounts due.

Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (P.L. No. 107-38)

On November 20, 2001 the President released $175 million from the Emergency Response Fund to the U.S. Postal Service in response to the anthrax attacks. This included $100 million for an initial purchase of irradiation equipment to sanitize the mail and $75 million for the costs of personnel protection equipment, first-response/environmental testing kits and services, site clean-up and medical goods and services, and public education material. The specific restrictions of $100 million for irradiation equipment and $75 million for other costs were subsequently removed.

As part of the Department of Defense Appropriations Act, 2002 (P.L. 107-117), enacted January 10, 2002, Congress appropriated, from amounts authorized by P.L. No. 107-38, an additional $500 million to the Postal Service to protect postal employees and postal customers from exposure to bio-hazardous material, sanitize and screen the mail, and replace or repair postal facilities destroyed or damaged in New York City as a result of the September 11, 2001 terrorist attacks. A supplemental appropriation, P.L. 107-206 provided an additional $87 million to support completion of planned FY 2002 activities.

Congress appropriated an additional $507 million as part of the Consolidated Appropriations Act, 2005 (P.L. 108-447) for the protection of postal employees and postal customers from exposure to hazardous materials in the mail.

U.S. POSTAL SERVICE

Postal Civil Service Retirement System Funding Reform Act of 2003 (P.L. No. 108-18)

Public Law 108-18, signed into law by the President on April 23, 2003, made significant changes to the way the Postal Service funds its Civil Service Retirement System (CSRS) retirement obligation. Based upon an analysis by the Office of Personnel Management (OPM) and confirmed by a General Accounting Office review, without this legislation, the Postal Service was on course to over-fund this CSRS pension obligation by approximately $105 billion. This over-funding resulted from higher than assumed interest earnings, lower than assumed outlays and other factors.

The major components of Public Law 108-18 are:

- Previously, a retirement liability resulted from general pay increases granted to CSRS employees and was discharged over 30 years with interest at 5% and a retirement liability resulting from annual cost-of-living adjustments granted to CSRS retirees was discharged over 15 years with interest at 5%. These retirement liabilities and payments are eliminated

- Effective in May 2003, the Postal Service will pay 17.4% of current CSRS employees' wages to the retirement fund rather than the 7.0% previously paid.

- Effective September 30, 2004, the Postal Service will begin a series of 40 annual payments to discharge any remaining CSRS retirement liability as calculated and updated annually by OPM.

- Retirement obligations associated with the military service of CSRS postal employees previously paid by the U.S. Treasury, are retroactively transferred to the Postal Service. The Postal Service, U.S. Treasury and OPM are required to submit proposals to Congress detailing who should be responsible for military service retirement costs. These proposals were submitted September 30, 2003.

- Cash savings resulting from this law must be used to reduce debt with the U.S. Treasury in 2003 and 2004. In 2005, the savings will be used to offset operational expenses and hold postal rates steady. After 2005, the savings must be held in escrow until directed by Congress as to their use.

The following Program and Financing Statement and Statement of Revenue and Expense reflect actual financial results for Fiscal Year 2005 and the Postal Service forecasts for Fiscal Years 2006 and 2007.

U.S. POSTAL SERVICE
PROGRAM AND FINANCING
(in millions of dollars)

ITEM	ACTUAL FY 2005	ESTIMATE FY 2006	ESTIMATE FY 2007
Obligations by Program Activity:			
Reimbursable Program:			
Postal Field Operations	51,207	52,544	53,778
Transportation	5,437	5,668	5,614
Building Occupancy	1,965	2,066	2,113
Supplies and Services	2,745	2,848	2,770
Research and Development	41	41	40
Administration and Area Operations	4,388	7,872	8,172
Interest	267	270	294
Servicewide Expenses	228	67	68
Capital Investments	2,875	2,892	3,272
Total New Obligations	69,153	74,268	76,121
Budgetary Resources Available for Obligation:			
New Budget Authority (gross)	70,953	74,268	76,271
Redemption of Debt	-1,800	...	-150
Total Budgetary Resources Available for Obligation	69,153	74,268	76,121
Total New Obligations	-69,153	-74,268	-76,121
New Budget Authority (gross)			
Authority to Borrow (indefinite)	1,005	2,014	3,856
Spending Authority from Offsetting Collections	69,948	72,254	72,415
Total New Budget Authority (gross)	70,953	74,268	76,271

U.S. POSTAL SERVICE
PROGRAM AND FINANCING
(in millions of dollars)

ITEM	ACTUAL FY 2005	ESTIMATE FY 2006	ESTIMATE FY 2007
Change in Obligated Balances:			
Obligated Balance, Start of Year	20,288	21,284	24,809
Total new Obligations	69,153	74,268	76,121
Total outlays (gross)	-68,157	-70,743	-72,641
Obligated Balance, End of Year	21,284	24,809	28,289
Outlays (gross) Detail:			
Outlays from New Mandatory Authority	68,157	70,743	72,641
Offsets Against Gross Budget Authority and Outlays:			
Offsetting Collections from:			
Federal Sources	-1,385	-928	-904
Interest on U.S. Securities	-59	-150	-20
Non-Federal sources	-68,504	-71,176	-71,491
Total, Offsetting Collections	-69,948	-72,254	-72,415
Net budget Authority and Outlays:			
Budget Authority	1,005	2,014	3,856
Outlays	-1,791	-1,511	226

U.S. POSTAL SERVICE
STATEMENT OF REVENUE AND EXPENSE

(in millions of dollars)

	ACTUAL FY 2005	ESTIMATE FY 2006	ESTIMATE FY 2007
TOTAL REVENUE	69,993	72,341	72,524
TOTAL EXPENSES	68,548	a/ 71,070	a/ 72,533
NET INCOME, LOSS (-)	1,445	a/ 1,271	a/ -9

a/ Does not include additional $ 3.1 billion annual escrow deposit required pursuant to P. L. 108-18.

UNITED STATES POSTAL SERVICE

CONGRESSIONAL BUDGET WORKPAPERS

FY 2007

FISCAL YEAR 2007 PRESIDENT'S BUDGET HIGHLIGHTS

ITEM	FY 2005 ACTUAL	USPS FY 2006 ESTIMATE	OMB PROPOSED ADJ.	OMB FY 2006 ESTIMATE	USPS FY 2007 ESTIMATE	OMB PROPOSED ADJ.	OMB FY 2007 ESTIMATE
Workyears	821,684	808,501		808,501	785,859		785,859
Mail Volume (Millions of Pieces)	211,743	212,075		212,075	211,338		211,338
Mail Volume (Percent Change Over Previous Year)	2.7%	0.2%		0.2%	-0.3%		-0.3%
Workyears (Percent Change Over Previous Year)	0.2%	-1.6%		-1.6%	-2.8%		-2.8%
Change in Pieces Per Workyear (Percent Change Over Previous Year)	2.5%	1.8%		1.8%	2.5%		2.5%
Total Revenues and Operating Receipt	69,992,842	72,078,363		72,078,363	75,080,103		75,080,103
Total Expenses	68,547,659	71,203,538		71,203,538	72,286,035		72,286,035
Net Income or (Loss)	1,445,183	874,826		874,826	2,794,068		2,794,068
Capital Commitments ($000) Net	2,083,921	2,783,146		2,783,146	2,932,945		2,932,945
Capital Commitments ($000) Gross	0	2,783,146		2,783,146	2,932,945		2,932,945
Capital Outlays ($000)	2,248,000	2,415,200		2,415,200	2,647,127		2,647,127

ACTUAL FISCAL YEAR: 2005
BUDGET HIGHLIGHTS

COST SEGMENT 1
Postmasters

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	31,440	31,321	(119)	-0.4%	31,148	(173)	-0.6%
Expenses ($000):							
Salaries and Benefits	2,108,497	2,232,268	123,771	5.9%	2,337,375	105,106	4.7%
Travel and Transportation of Persons	28,356	31,413	3,056	10.8%	33,516	2,103	6.7%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Total	2,136,853	2,263,681	126,828	5.9%	2,370,890	107,210	4.7%

Description:

This segment includes personnel costs that can be attributed to postmasters and district managers/postmasters.
Segment 1 costs consist of the salaries, benefits, travel, and relocation costs recorded in general ledger sub-accounts 101and 102. Also included are amounts recorded in account identifier codes related to the same sub-accounts.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 2
Professionals and Supervisors

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	53,517	52,546	(971)	-1.8%	51,679	(867)	-1.7%
Expenses ($000):							
Salaries and Benefits	4,061,311	4,213,060	151,749	3.7%	4,326,254	113,194	2.7%
Travel and Transportation of Persons	45,845	50,826	4,981	10.9%	54,226	3,400	6.7%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	(0)	(0)	(0)	8.4%	(0)	-	0.0%
Total	4,107,156	4,263,886	156,730	3.8%	4,380,481	116,595	2.7%

Description:

This segment includes personnel costs that can be attributed to supervisors and technical personnel in field installations, except those in custodial, building and equipment maintenance activities (Segment 11), motor vehicle service activities (Segment 12), and miscellaneous local operations (Segment 13). Managers of postal installations other than post offices are covered by this segment. Segment 2 costs consist of the salaries, benefits, travel, and relocation costs recorded in general ledger sub-accounts 103and 130. Also included are amounts recorded in account identifier codes related to the same sub-accounts.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 3
Clerks and Mail Handlers CAG A-J

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	313,225	299,708	(13,517)	-4.3%	282,384	(17,325)	-5.8%
Expenses ($000):							
Salaries and Benefits	18,844,857	18,733,800	(111,056)	-0.6%	18,471,518	(262,282)	-1.4%
Travel and Transportation of Persons	16,040	17,905	1,865	11.6%	19,093	1,188	6.6%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	122	132	10	8.4%	132	-	0.0%
Total	18,861,019	18,751,838	(109,181)	-0.6%	18,490,743	(261,094)	-1.4%

Description:

This segment includes personnel costs that can be attributed to clerks and mail handler personnel in CAG A-J post offices, their classified stations and branches, processing and distribution centers/facilities, air mail centers, facilities, bulk mail centers, and remote encoding centers. Segment 3 costs consist of the salaries, benefits, travel and relocation recorded in general ledger sub-accounts 104 and 107. Also included are amounts recorded in account identifier codes related to the same sub-accounts.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 4
Clerks CAG K

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	121	120	(1)	-0.6%	119	(1)	-1.2%
Expenses ($000):							
Salaries and Benefits	5,905	6,160	254	4.3%	6,447	288	4.7%
Travel and Transportation of Persons	68	76	8	11.1%	81	5	6.7%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Total	5,974	6,235	262	4.4%	6,528	293	4.7%

Description:

This segment includes personnel costs that can be attributed to clerks in CAG K post offices.
Segment 4 costs consist of the salaries, benefits, travel and relocation recorded in general ledger sub-account 105 . Also included are amounts recorded in account identifier codes related to the same sub-accounts.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 6
City Delivery Carriers

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	250,734	249,490	(1,244)	-0.5%	245,487	(4,003)	-1.6%
Expenses ($000):							
Salaries and Benefits	15,668,338	16,226,827	558,489	3.6%	16,622,918	396,092	2.4%
Travel and Transportation of Persons	5,308	5,902	594	11.2%	6,296	393	6.7%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	(9)	(10)	(1)	8.4%	(10)	-	0.0%
Total	15,673,637	16,232,719	559,082	3.6%	16,629,204	396,485	2.4%

Description:

This segment includes personnel costs that can be attributed to city delivery carriers. Segment 6 includes office activity, and segment 7 includes street activity. Segment 6 and 7 costs consist of the salaries, benefits, travel and relocation recorded in general ledger sub-account 113. Also included are amounts recorded in account identifier codes related to the same sub-accounts.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 8
Vehicle Drivers

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	9,457	9,512	55	0.6%	9,445	(67)	-0.7%
Expenses ($000):							
Salaries and Benefits	607,220	633,299	26,079	4.3%	656,865	23,565	3.7%
Travel and Transportation of Persons	39	43	5	12.0%	46	3	6.6%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	(0)	(0)	(0)	8.4%	(0)	-	0.0%
Total	607,258	633,342	26,084	4.3%	656,911	23,568	3.7%

Description:

This segment includes personnel costs that can be attributed to vehicle service drivers. Segment 8 costs consist of the salaries, benefits, travel and relocation costs recorded in general ledger sub-account 114. Also included are amounts recorded in account identifier codes related to the same sub-accounts.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 10
Rural Carriers

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	96,902	98,171	1,269	1.3%	99,287	1,116	1.1%
Expenses ($000):							
Salaries and Benefits	5,144,447	5,415,766	271,318	5.3%	5,741,877	326,112	6.0%
Travel and Transportation of Persons	4,607	5,110	503	10.9%	5,452	342	6.7%
Transportation of Things	449,337	493,638	44,301	9.9%	497,289	3,651	0.7%
Benefits of Former Personnel	(1)	(1)	(0)	8.4%	(1)	-	0.0%
Total	5,598,391	5,914,514	316,122	5.6%	6,244,618	330,104	5.6%

Description:

This segment includes personnel costs that can be attributed to rural carriers. Segment 10 costs consist of the salaries, benefits, travel and relocation costs recorded in general ledger sub-account 112. Also included are amounts recorded in account identifier codes related to the same sub-accounts. Rural carrier equipment maintenance allowance costs (52462) are included in this segment.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 11
Building, Plant and Operating Equipment

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	46,154	46,625	472	1.0%	46,252	(373)	-0.8%
Expenses ($000):							
Salaries and Benefits	3,018,546	3,173,267	154,721	5.1%	3,288,636	115,369	3.6%
Travel and Transportation of Persons	16,487	18,850	2,364	14.3%	20,065	1,215	6.4%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	(2)	(2)	(0)	8.4%	(2)	-	0.0%
Other Services	89,996	93,853	3,857	4.3%	97,505	3,651	3.9%
Total	3,125,027	3,285,969	160,942	5.2%	3,406,204	120,235	3.7%

Description:

This segment includes all personnel costs, including supervision, that can be attributed to building services, postal operating, building, and plant equipment maintenance, maintenance administrative support, and repair center activities.
Segment 11 costs consist of the salaries, benefits, travel and relocation recorded in general ledger sub-accounts 121, 123, 125, 127, and 153. Also included are amounts recorded in account identifier codes related to the same sub-accounts. Costs for contract cleaners (52311) are included in this segment.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 12
Vehicle Maintenance

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	6,356	6,380	24	0.4%	6,378	(2)	0.0%
Expenses ($000):							
Salaries and Benefits	416,516	435,211	18,695	4.5%	455,323	20,112	4.6%
Travel and Transportation of Persons	1,484	1,700	216	14.6%	1,809	109	6.4%
Transportation of Things	13,431	13,977	545	4.1%	14,017	41	0.3%
Benefits of Former Personnel	(0)	(0)	(0)	8.4%	(0)	-	0.0%
Communication, Utilities, and Misc.	12	12	1	5.0%	13	0	3.1%
Other Services	126,444	132,565	6,121	4.8%	136,585	4,020	3.0%
Supplies and Materials	213,466	224,042	10,575	5.0%	231,064	7,023	3.1%
Inventory Adjustments	245,477	257,638	12,161	5.0%	265,713	8,076	3.1%
Total	1,016,829	1,065,143	48,314	4.8%	1,104,525	39,382	3.7%

Description:

This segment includes all personnel costs, including supervision, that can be attributed to motor vehicle maintenance services. Segment 11 costs consist of the salaries, benefits, travel and relocation recorded in general ledger sub-account141. Also included are amounts recorded in account identifier codes related to the same sub-accounts. Costs for motor vehicle supplies, materials, maintenance, and vehicle hire are included in this segment.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 13
Miscellaneous Field Operations

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	617	617	-	0.0%	617	-	0.0%
Expenses ($000):							
Salaries and Benefits	165,925	197,402	31,477	19.0%	201,642	4,240	2.1%
Travel and Transportation of Persons	32,052	35,823	3,771	11.8%	38,292	2,469	6.9%
Transportation of Things	18,959	25,860	6,901	36.4%	26,260	400	1.5%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Communication, Utilities, and Misc.	7	7	-	0.0%	7	-	0.0%
Other Services	73,808	82,292	8,484	11.5%	90,485	8,193	10.0%
Supplies and Materials	29,385	34,866	5,481	18.7%	33,743	(1,123)	-3.2%
Total	320,136	376,251	56,114	17.5%	390,430	14,179	3.8%

Description:

This segment includes personnel costs that can be attributed to the Mail Equipment Shops, the facility field offices, and the purchasing field service centers. Segment 13 costs consist of the salaries, benefits, travel and relocation costs recorded in general ledger sub-accounts 142, 146, and 148. Also included are amounts recorded in account identifier codes related to the same sub-accounts.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 14
Transportation

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	-	-	-	0.0%	-	-	0.0%
Expenses ($000):							
Transportation of Things	5,436,765	5,709,766	273,001	5.0%	5,577,549	(132,218)	-2.3%
Total	5,436,765	5,709,766	273,001	5.0%	5,577,549	(132,218)	-2.3%

Description:

This segment includes the cost of non-Postal Service contractual resources used to transport domestic mail between Postal Service facilities within the United States of America. Air, highway, rail, and water transportation modes are included. (The cost of Postal Services used to transport mail, which inlcude Vehicle Service Drivers and Postal Serfvice owned vehicles, are included in Cost Segment 8.) This segment also includes the costs of transporting internation mail between the United States and foreign countries, and the impact on international mail transportation of fluctuations in the international currency conversion exchange rates, known as Special Drawing Rights, or SDR's. The cost of overseas military and official U. S. Government mail and and an exactly offsetting reimbursement from the U. S. Government is also included in this segment.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 15
Building Occupancy

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	-	-	-	0.0%	-	-	0.0%
Expenses ($000):							
Transportation of Things	2,624	3,595	971	37.0%	3,646	52	1.4%
Rental Payments to GSA	41,824	43,605	1,781	4.3%	45,901	2,296	5.3%
Rental Payments to Others	954,667	995,318	40,651	4.3%	1,047,731	52,413	5.3%
Communications, Utilities, and Misc	694,175	746,051	51,876	7.5%	741,840	(4,210)	-0.6%
Other Services	271,970	277,836	5,866	2.2%	273,744	(4,092)	-1.5%
Equipment	-	-	-	0.0%	-	-	0.0%
Capitalized Leases	(133,128)	(138,797)	(5,669)	4.3%	(146,106)	(7,309)	5.3%
Total	1,832,132	1,927,608	95,475	5.2%	1,966,757	39,150	2.0%

Description:

This segment includes the non-capital related non-personnel costs of occupying and maintaining Postal Service owned and rented facilities. These costs include rent, heating fuel, building repairs and alterations, and utilities, such as gas, electricity, water, and voice telephone.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 16
Supplies and Services

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	223	223	-	0.0%	223	-	0.0%
Expenses ($000):							
Salaries and Benefits	15,856	16,517	661	4.2%	17,259	742	4.5%
Travel and Transportation of Persons	319	354	34	10.8%	377	24	6.7%
Transportation of Things	420	402	(18)	-4.4%	403	1	0.3%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Communications, Utilities and Misc.	151,831	141,192	(10,639)	-7.0%	135,874	(5,319)	-3.8%
Printing and Reproduction	126,787	121,556	(5,232)	-4.1%	117,966	(3,590)	-3.0%
Other Services	1,541,222	1,756,754	215,532	14.0%	1,712,975	(43,778)	-2.5%
Supplies and Materials	903,662	887,438	(16,224)	-1.8%	852,188	(35,250)	-4.0%
Equipment	2,620	2,379	(240)	-9.2%	2,303	(77)	-3.2%
Inventory Adjustments	144,680	131,734	(12,946)	-8.9%	126,147	(5,587)	-4.2%
Total	2,887,397	3,058,325	170,928	5.9%	2,965,492	(92,832)	-3.0%

Description:

This segment includes the non-personnel cost of supplies and spare parts, and the personnel cost of employees at Material Distribution Centers who purchase and maintain inventories of postal supplies and spare parts, and then distribute them to postal installations. Also included is the cost of printing and reproduction, including postage stock and other accountable paper, and the cost of contractual and other services, except those related to the transportation of mail which are included in Cost Segment 14, and those related to Headquarters Administration which are included in Cost Segment 18.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 17
Research and Development

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	-	-	-	0.0%	-	-	0.0%
Expenses ($000):							
Other Services	40,727	41,021	294	0.7%	39,557	(1,464)	-3.6%
Total	40,727	41,021	294	0.7%	39,557	(1,464)	-3.6%

Description:

This segment includes the costs of contractual services related to Reasearch and Development (R&D) initiatives on new technologies and equipment which primarily include efforts to improve mail processing technology, construction engineering, and field industrial engineering. Personnel costs for Postal Service employees engaged in R&D activities are described in Segment 18.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 18
Administration and Area Operations

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	12,894	13,744	850	6.6%	12,797	(947)	-6.9%
Expenses ($000):							
Salaries and Benefits	2,336,596	2,821,455	484,859	20.8%	2,841,414	19,958	0.7%
Travel and Transportation of Persons	60,714	67,262	6,548	10.8%	71,765	4,503	6.7%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	1,547,935	1,756,471	208,537	13.5%	1,963,389	206,918	11.8%
Communications, Utilities and Misc.	0	0	(0)	-7.8%	0	(0)	-3.8%
Printing and Reproduction	2,582	3,537	955	37.0%	3,588	51	1.4%
Other Services	380,515	342,445	(38,070)	-10.0%	338,636	(3,809)	-1.1%
Supplies and Materials	211	264	53	25.3%	261	(4)	-1.4%
Equipment	4	4	0	5.1%	4	(0)	-3.2%
Total	4,328,556	4,991,439	662,883	15.3%	5,219,057	227,618	4.6%

Description:

This segment includes the personnel cost of employees at Headquarters, Headquarters related Field Service Units, and Area offices. Non-personnel costs specifically related to Headquarters or Area Administration, and miscellaneous support costs and contingencies which are corporatewide in nature are also included. Other costs included are awards and lump sum payments made to employees whose personnel costs are included in Segments 15, 16, 1/, and 19, and corporatewide personnel costs which are not allocated by employee category. Only those awards and lump sum payments which relate to individual performance or some other circumstance unique to n individual are included in Segment 18. Awards and lump sum payments that are made to all or most employees in an employee category are included with the personnel cost of that employee category. Corporatewide personnel costs include workers' compensation, unemployment compensation, CSRS undunded liabilities, CSRS annuitant COLAs, annuitant health benefits, annuitant life insurance, repricing of annual leave, annuity protection program, and health benefits for employees on workers' compensation.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 19
Support Services

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	43	43	-	0.0%	43	-	0.0%
Expenses ($000):							
Salaries and Benefits	4,459	4,638	178	4.0%	4,802	164	3.5%
Travel and Transportation of Persons	642	711	69	10.8%	758	48	6.7%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Other Services	53,245	69,186	15,941	29.9%	72,806	3,619	5.2%
Supplies and Materials	1,454	1,894	440	30.3%	1,998	104	5.5%
Total	59,799	76,429	16,629	27.8%	80,363	3,935	5.1%

Description:

This segment includes the non-personnel cost of equipment maintenance training supplies and services, and the personnel cost of employees at the Maintenance Technical Support Center.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 20
Depreciation and Servicewide

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	-	-	-	0.0%	-	-	0.0%
Expenses ($000):							
Other Services	22,648	25,983	3,335	14.7%	26,358	374	1.4%
Supplies and Materials	-	-	-	0.0%	-	-	0.0%
Equipment	-	-	-	0.0%	-	-	0.0%
Insurance Claims and Indemnities	44,237	40,691	(3,546)	-8.0%	41,436	745	1.8%
Interest	266,600	272,380	5,780	2.2%	280,502	8,122	3.0%
Land and Structures	-	-	-	0.0%	-	-	0.0%
Depreciation	2,176,521	2,266,321	89,799	4.1%	2,408,434	142,113	6.3%
Total	2,510,006	2,605,376	95,369	3.8%	2,756,730	151,354	5.8%

Description:

This segment includes the cost of capital plant and equipment which consists of depreciation, amortization, and interest on debt. All Postal Service debt currently outstanding was incurred for the acquisition of capital. Also included in Segment 20 are claims, losses, and other non-capital amounts written off. Interest on retirement liabilities is reflected in Segment 20 so that all interest is included together in the same segment.

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 21
Capital Investments

	Actual FY 2005	Estimate FY 2006	Change Amount FY 2006	Percent FY 2006	Estimate FY 2007	Change Amount FY 2007	Percent FY 2007
Resources:							
Positions							
Workyears	-	-	-	0.0%	-	-	0.0%
Expenses ($000):							
Construction	114,656	524,550	409,894	357.5%	787,845	263,295	50.2%
Building Improvements	489,451	593,712	104,261	21.3%	454,230	(139,482)	-23.5%
Fixed Mechanization Equipment	794,364	1,489,833	695,469	87.6%	1,020,130	(469,703)	-31.5%
Vehicles	184,883	3,967	(180,916)	-97.9%	158,632	154,665	3898.8%
Window Service Equipment	28,611	422	(28,189)	-98.5%	185,650	185,228	43892.9%
Admin and General Support	471,956	170,662	(301,294)	-63.8%	326,458	155,796	91.3%
Total	2,083,921	2,783,146	699,225	33.6%	2,932,945	149,799	5.4%

Continued:

ACTUAL FISCAL YEAR: 2005

COST SEGMENT 21
Capital Investments

Descriptions:

Construction and Building Improvements

This category includes funds for acquisition of sites, design and construction of new postal owned buildings, purchase of existing facilities, and improvement to exisitng leased and owned post office buildings.

Mail Processing Equipment:

The funds planned in this program are for the purchase of fixed mecnanization, non-fixed mechanization and other mail handling equipment. Fixed mechanization is custom made to meet the requirements for a particular mail handling operation or a specific building. Non-fixed mechanization consists of automated modules of equipment such as optical character readers, bar code sorters, expanded zip retrofit kits, etc. This program is directed toward reducing costs in mail processing operations.

Vehicles:

The vehicle program consists of four vehicle requirement categories: carrier motorization, bulk transfer vehicles for delivery and intra/inter transport of the mails, law enforcement vehicles for postal inspector surveillance, and othe rmaintenance of vehicles and buildings.

Customer Service Equipment:

This equipment supports post office lobby, window, and self-service programs. The Postal Service's objective is to render new and improved services to postal customers in the retail areas of post offices.

Posta Support Equipment:

Support equipment consists of such items as office machines and furniture, maintenance equipment, and automatic data processing equipment.

ACTUAL FISCAL YEAR: 2005

U.S. POSTAL SERVICE
MAIL VOLUME AND REVENUE
FISCAL YEARS 2005 - 2007
(IN THOUSANDS)

	PRESIDENT'S BUDGET											
	FY 2005 - ACTUAL				FY 2006 - ESTIMATE				FY 2007 - ESTIMATE			
CLASSIFICATION	PIECES OR TRANS-ACTIONS	% CHG. FROM SPLY	POSTAL REVENUE	% CHG. FROM SPLY	PIECES OR TRANS-ACTIONS	% CHG. FROM SPLY	POSTAL REVENUE	% CHG. FROM SPLY	PIECES OR TRANS-ACTIONS	% CHG. FROM SPLY	POSTAL REVENUE	% CHG. FROM SPLY
OPERATING REVENUES												
FIRST CLASS	98,070,956	0.15%	36,061,780	-0.87%	95,884,457	-2.23%	36,425,535	1.01%	93,128,663	-2.87%	35,686,037	-2.03%
EXPRESS MAIL	55,475	2.50%	872,282	2.28%	53,781	-3.05%	880,341	0.92%	49,952	-7.12%	828,687	-5.87%
MAILGRAM	1,896	15.05%	791	13.00%	1,662	-12.34%	730	-7.71%	1,446	-13.00%	644	-11.78%
PRIORITY (HEAVY PIECES)	887,477	4.58%	4,633,607	4.80%	883,429	-0.46%	4,794,850	3.48%	891,516	0.92%	4,910,983	2.42%
PERIODICALS	9,070,003	-0.73%	2,160,763	-1.41%	9,116,689	0.51%	2,259,015	4.55%	9,026,626	-0.99%	2,271,334	0.55%
STANDARD MAIL	100,942,091	5.63%	18,953,471	4.59%	104,309,147	3.34%	20,372,096	7.48%	106,856,803	2.44%	21,203,281	4.08%
PACKAGE SERVICES	1,165,534	2.97%	2,201,085	-0.26%	1,206,560	3.52%	2,368,051	7.59%	1,217,642	0.92%	2,413,138	1.90%
U.S. POSTAL SERVICE MAIL	621,283	17.37%	...	...	662,381	6.62%	...	...	692,562	4.56%	...	...
FREE-FOR-THE-BLIND MAIL	76,365	7.43%	...	...	75,119	-1.63%	...	...	76,437	1.75%	...	...
INTERNATIONAL (FEES INCL.	851,631	0.93%	1,764,913	4.08%	836,443	-1.78%	1,814,552	2.81%	822,177	-1.71%	1,814,104	-0.02%
TOTAL VOLUME & REVENUE FROM MAIL	211,742,711	2.73%	66,648,691	1.18%	213,029,669	0.61%	68,915,170	3.40%	212,763,823	-0.12%	69,128,208	0.31%
SPECIAL SERVICES AND OTHER:												
BOX RENTS	...	...	791,545	1.50%	...	...	826,656	4.44%	...	...	857,276	3.70%
MONEY ORDER FEES	181,048	-3.67%	169,141	-3.90%	179,297	-0.97%	176,572	4.39%	170,964	-4.65%	171,230	-3.03%
SPECIAL SERVICES	533,037	-7.22%	1,448,545	-0.67%	553,912	3.92%	1,493,525	3.11%	546,300	-1.37%	1,496,573	0.20%
OTHER REVENUE NET *	...	...	788,051	16.44%	...	...	340,358	-56.81%	...	...	479,050	40.75%
TOTAL SPEC. SVCS. & OTHER REVENUE	...	...	3,197,282	3.44%	...	...	2,837,111	-11.26%	...	...	3,004,129	5.89%
TOTAL	...	...	69,845,973	1.29%	...	...	71,752,281	2.73%	...	...	72,132,337	0.53%
APPROPRIATIONS:												
APPROPRIATIONS REVENUE	...	...	61,417	69.1%	...	...	82,424	34.20%	...	...	80,127	-2.79%
TOTAL OPERATING REVENUE	...	...	69,907,390	1.32%	...	...	71,834,705	2.76%	...	...	72,212,464	0.53%
INTEREST AND INVESTMENT INCOME	...	...	85,452	162.25%	...	...	160,522	87.85%	...	...	34,900	-78.26%
TOTAL REVENUE	...	...	69,992,842	1.40%	...	...	71,995,227	2.86%	...	...	72,247,364	0.35%

* - Includes Emergency Preparedness Plan Revenue.

ACTUAL FISCAL YEAR: 2005

U. S. POSTAL SERVICE
SPECIAL SERVICES TRANSACTIONS AND POSTAL REVENUE
FISCAL YEARS 2005 - 2007
(IN THOUSANDS)

CLASSIFICATION	FY 2005 ACTUAL				FY 2006 ESTIMATE				FY 2007 ESTIMATE			
	PIECES OR TRANS-ACTIONS	% CHG FROM SPLY	POSTAL REVENUE	% CHG FROM SPLY	PIECES OR TRANS-ACTIONS	% CHG FROM SPLY	POSTAL REVENUE	% CHG FROM SPLY	PIECES OR TRANS-ACTIONS	% CHG FROM SPLY	POSTAL REVENUE	% CHG FROM SPLY
SPECIAL SERVICES												
REGISTRY	5,149	2.81%	57,922	2.41%	6,439	25.05%	95,810	65.41%	5,607	-12.92%	94,681	-1.18%
CERTIFIED	261,144	-4.59%	600,632	-4.59%	262,824	0.64%	631,293	5.10%	261,831	-0.38%	635,372	0.65%
INSURANCE	51,565	0.10%	125,582	2.54%	43,989	-14.69%	112,186	-10.67%	38,631	-12.18%	99,869	-10.98%
DELIVERY RECT SERVICE	240,254	-0.19%	475,900	5.86%	239,132	-0.47%	484,935	1.90%	238,811	-0.13%	490,868	1.22%
COLLECT-ON-DELIVERY	1,499	-21.30%	9,277	-18.42%	1,528	1.93%	9,649	4.01%	1,420	-7.07%	9,086	-5.84%
STAMPED ENVELOPES	...	...	20,982	-4.28%	...	...	18,556	-11.56%	...	...	16,018	-13.68%
BOX RENT	...	...	791,545	1.50%	...	...	826,655	4.44%	...	...	857,276	3.70%
OTHER	...	...	65,954	-8.60%	...	...	141,096	113.93%	...	...	150,679	6.79%
TOTAL SPECIAL SERVICES	559,611	-2.60%	2,147,794	-0.12%	553,912	-1.02%	2,320,180	8.03%	546,300	-1.37%	2,353,848	1.45%

SELECTED OPERATING STATISTICS

ITEM	FY 1971 AMOUNT	FY 1971 % CHANGE FR SPLY	FY 2005 ACTUAL AMOUNT	FY 2005 ACTUAL % CHANGE FR SPLY	FY 2006 ESTIMATE AMOUNT	FY 2006 ESTIMATE % CHANGE FR SPLY	FY 2007 ESTIMATE AMOUNT	FY 2007 ESTIMATE % CHANGE FR SPLY
MAIL VOLUME (BILLIONS OF PIECES - GFY)	87.0	2.5%	211.7	2.7%	213.0	0.6%	212.8	-0.1%
CITY DELIVERY:								
NUMBER OF ROUTES	132,923	1.9%	-	0.0%	-	0.0%	-	0.0%
POSSIBLE DELIVERIES (MILL)	57.0	2.0%	85.8	1.3%	86.3	0.6%	86.9	0.6%
RURAL DELIVERY:								
NUMBER OF ROUTES	31,517	-1.5%	-	0.0%	-	0.0%	-	0.0%
AVG DAILY ROUTE MILES	66.0	1.3%	-	0.0%	-	0.0%	-	0.0%
POST OFFICES:								
CAG A-J	5,162	3.7%	8,628	0.0%	8,678	0.6%	8,723	0.5%
CAG H-J	7,396	0.9%	8,818	0.0%	8,962	1.6%	8,974	0.1%
CAG K	12,551	-0.7%	8,406	-0.5%	8,374	-0.4%	8,302	-0.9%
CAG L	6,838	-3.0%	1,459	-3.5%	1,284	-12.0%	1,287	0.2%
TOTAL	31,947	-0.2%	27,311	-0.7%	27,298	0.0%	27,286	0.0%
CONTRACT STATIONS	4,437	-10.6%	3,355	15.3%	3,525	5.1%	3,826	8.5%
TOTAL ACTIVE VEHICLE FLEET: (NUMBER)	83,095	9.3%	-	0.0%	-	0.0%	-	0.0%
INTERIOR SPACE OCCUPIED: (THOUSANDS OF SQ. FT.)	158,997	1.8%	317,886	0.2%	319,731	0.6%	321,777	0.6%