

# **UNITED STATES POSTAL SERVICE**

## **Fiscal Year 2008 Budget Congressional Submission**

**Finance  
Budget and Financial Analysis**

**U.S. POSTAL SERVICE  
FY 2008 BUDGET**

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## **U.S. POSTAL SERVICE Appropriations**

The following schedules reflect the Postal Service's budget request for Fiscal Year 2008.

### **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 2008.

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
<b>FY 2006:</b>				
USPS Request.....	...	137,518	51,000	188,518
OMB Proposal .....	...	87,350	...	87,350
<b>Consolidated Appropriations Act, 2006</b>				
<b>-- Public Law No. 109-115 :</b>				
Available October 1, 2005 .....	...	29,000	...	29,000
Available October 1, 2006 .....	...	14,233	...	14,233
Available October 1, 2006 .....	...	73,000	...	73,000
<b>FY 2007:</b>				
USPS Request .....	...	152,735	...	152,735
OMB Proposal .....	...	79,915	...	79,915
<b>Transportation, Treasury, Housing and Urban Development, the Judiciary, and Independent Agencies Appropriation Act, 2007</b>				
<b>-- Senate Bill :</b>				
Available, October 1, 2006 .....	...	29,000	...	29,000
Available, October 1, 2007.....	...	79,915	...	79,915
<b>FY 2008:</b>				
USPS Request .....	...	153,447	...	153,447
OMB Proposal.....	...	88,864	...	88,864

**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 2006			FY 2007			FY 2008	
	Request	OMB Proposal	P.L. No. 109-115	Request	OMB Proposal	Senate Bill	Request	OMB Proposal
<b>A. Total Budget Authority (Appropriations).....</b>	188,518	87,350	116,350	152,735	79,915	108,915	153,447	88,864
<b>B. Program by Activity:</b>								
1. Public Service Costs.....	...	...	...	...	...	...	...	...
2. Free for the Blind and Overseas Voting .....	79,935	58,767	58,767	80,127	60,725	60,725	83,518	64,446
3. Free and Reduced-rate Mail: Reconciliation Adjustment .....	28,583	28,583	28,583	43,608	19,190	19,190	40,929	24,418
4. Revenue Forgone Reform Reimbursement .....	29,000	...	29,000	29,000	...	29,000	29,000	...
5. Emergency Preparedness Costs .....	b/ 51,000	...	...	...	...	...	...	...
<b>Total Appropriations .....</b>	188,518	87,350	a/ 116,350	152,735	79,915	108,915	153,447	88,864

a/ Includes \$43,350 thousand available in FY2006 and \$73,000 thousand not available until 10/1/06.

b/ 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) , \$124,447,000 ; 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.

<b>Program and Financing (in thousands of dollars)</b>				
	FY 2006 Actual	FY 2007 Senate Bill	FY 2008	
			Request	OMB Proposal
<b>Program by activities:</b>				
<b>Payment to the Postal Service fund for:</b>				
<b>Revenue forgone on free and reduced-rate mail:</b>				
Current year.....	58,767	60,725	83,518	64,446
Reconciliation adjustment .....	28,583	19,190	40,929	24,418
<b>Subtotal.....</b>	<b>87,350</b>	<b>79,915</b>	<b>124,447</b>	<b>88,864</b>
<b>Revenue forgone reform reimbursement:.....</b>	<b>29,000</b>	<b>29,000</b>	<b>29,000</b>	...
<b>Subtotal , free and reduced-rate mail.....</b>	<b>a/ 116,350</b>	<b>b/ 108,915</b>	<b>153,447</b>	<b>88,864</b>
<b>Emergency Preparedness Costs .....</b>	...	...	...	...
<b>Total payment to the Postal Service Fund (total obligations(41.0)).....</b>	<b>a/ 116,350</b>	<b>b/ 108,915</b>	<b>153,447</b>	<b>88,864</b>
<b>Financing:</b>				
<b>Budget authority (appropriations) .....</b>	<b>a/ 116,350</b>	<b>b/ 108,915</b>	<b>153,447</b>	<b>88,864</b>

a/ Includes \$43,350 thousand available in FY 2006 and \$73,000 thousand not available until 10/1/06.

b/ Includes \$29,000 thousand available in FY 2007 and \$79,915 thousand not available until 10/1/07.

**U.S. POSTAL SERVICE  
Federal Funds**

**Payment to the Postal Service Fund**

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

	FY 2006 Actual	FY 2007 Senate Bill	FY 2008 Estimate	
			Request	OMB Proposal
<b>Relation of obligations to outlays:</b>				
<b>Obligations incurred, net .....</b>	<i>a/</i> 116,350	<i>b/</i> 108,915	153,447	88,864
<b>Outlays .....</b>	<i>a/</i> 116,350	<i>b/</i> 108,915	153,447	88,864

*a/* Includes \$43,350 thousand available in FY 2006 and \$73,000 thousand, not available until 10/1/06.

*b/* Includes \$29,000 thousand available in FY 2007 and \$79,915 thousand, not available until 10/1/07.

An appropriation of \$83,518,000 is for reimbursing the Postal Service for providing free mail for the blind and overseas voting; \$40,929,000 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 2008 Appropriation request for Free for the Blind and Overseas Voting mail, \$83,518,000:**

(in thousands of dollars)

ITEM	FY 2006	FY 2007		FY 2008	
	Amount	Amount	Change from Prior Year	Amount	Change from Prior Year
A. Free for the Blind .....	73,778	79,859	6,081	83,250	3,391
B. Overseas Voting .....	294	268	- 26	268	---
<b>Total, Free for the Blind and Overseas Voting .....</b>	<b>74,072</b>	<b>80,127</b>	<b>6,055</b>	<b>83,518</b>	<b>3,391</b>

An appropriation of \$83,518,000 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.

**U. S. POSTAL SERVICE  
APPROPRIATIONS**

**Justifications - Cont'd**

**b. Reconciliation Adjustment, Revenue Forgone, \$40,929,000:**  
(in thousands of dollars)

ITEM	FY 2006	FY 2007		FY 2008	
	Amount	Amount	Change from Prior Year	Amount	Change from Prior Year
Reconciliation adjustment .....	28,583	19,190	-9,393	40,929	21,739

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. For the second consecutive year, as a result of the accelerated closing processes, it was possible to advance our calculation of the reconciliation adjustment for the current Fiscal Year (FY 2006). Therefore, FY 2008 request includes a reconciliation adjustment for two years (FY 2005 and FY 2006).

**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 \$40,929,000 to adjust the reimbursement for services performed on Free Mail for the Blind and Overseas Voting mail during Fiscal Year 2005 and Fiscal Year 2006. Amounts appropriated to the Postal Service for Fiscal Years 2005 and 2006 were based on estimates that appropriations amounting to \$55,631,000 less the \$445,000 rescission would be required for FY 2005 and \$58,767,000 less the \$761,000 rescission for FY 2006. However, audited mail volumes indicate that \$80,049,000 was actually required to fully reimburse the Postal Service for services provided during FY 2005 and \$74,072,000 during FY 2006. Therefore, balances of \$24,863,000 relating to FY 2005 and \$16,066,000 relating to FY 2006 remain unpaid for which reimbursement is requested in this Fiscal Year 2008 appropriation request.

(in thousands of dollars)

	Free for the Blind	Overseas Voting	Reduced- rate Mail	Total	Reconciliation Adjustment
<b><u>FY 2003:</u></b>					
Based Upon Final Audited Mail Volume.....	73,163	4,130	...	77,293	
Appropriation Received ... .....	48,423	287	...	48,710	
Reconciliation Adjustment - Funded in FY 2006.....	24,740	3,843	...	----->	28,583
<b><u>FY 2004:</u></b>					
Based Upon Final Audited Mail Volume.....	73,889	539	...	74,428	
Appropriation Received a/ .....	54,663	575	...	55,238	
Reconciliation Adjustment - Funded in FY 2007.....	19,226	-36	...	----->	19,190
<b><u>FY 2005:</u></b>					
Based Upon Final Audited Mail Volume.....	79,380	669	...	80,049	
Appropriation Received	<u>55,131</u>	<u>55</u>	...	<u>55,186</u>	
b/.....	<u>24,249</u>	<u>614</u>	...	<u>24,863</u>	
Reconciliation Adjustment .....					
<b><u>FY 2006:</u></b>					
Based Upon Final Audited Mail Volume	73,778	294		74,072	
.....	<u>57,774</u>	<u>232</u>	...	<u>58,006</u>	
Appropriation Received	16,004	62	...	16,066	
.....					
Reconciliation Adjustment .....					
<b>Reconciliation Adjustment - FY 2008 Request.....</b>	<b>40,253</b>	<b>676</b>	...	----->	<b>40,929</b>

a/ Received Oct. 1, 2004. Reflects 0.80% rescission authorized by the Consolidated Appropriations Act, 2005 (P.L.108-477)

b/ Received Oct. 1, 2005. Reflects 1.00% rescission authorized by the Consolidated Appropriations Act, 2006 (P.L.109-115)

**U. S. POSTAL SERVICE  
APPROPRIATIONS**

**Justifications - Cont'd**

**FY 2008 Appropriation Request for Revenue Forgone Reform Reimbursement, \$29,000,000:**

**(in thousands of dollars)**

ITEM	FY 2006	FY 2007		FY 2008	
	Amount	Amount	Change from Prior Year	Amount	Change from Prior Year
Revenue Forgone Reform Reimbursements Current Year Installment .....	29,000	29,000	...	29,000	...
<b>Total</b>	<b>29,000</b>	<b>29,000</b>	...	<b>29,000</b>	...

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 2005	FY 2006	FY 2007	FY 2008
<b>FY 2005:</b>						
Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re: FY 2002)	55,631	a/	...	55,631		
Revenue Forgone Reform Reimbursement	6,078	a/	...	6,078		
<b>Total Appropriated, PL 108-447</b>	<b>29,000</b>		<b>29,000</b>			
<b>Less: 0.80% Rescinded by Miscellaneous Appropriations and Offsets Act, 2004 (P.L. 108-447)</b>			<b>-232</b>			
<b>Amount Received</b>			<b>28,768</b>			
<b>FY 2006:</b>						
Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re: FY 2003)	58,767	a/		...	58,767	
Revenue Forgone Reform Reimbursement	28,583	a/		14,350	14,233	
<b>Total Appropriated, PL 109-115</b>	<b>29,000</b>			<b>29,000</b>		
<b>Less 0.80% Rescinded by Consolidated Appropriations Act, 2005 (PL 109-115)</b>				<b>-1,051</b>		
<b>Amount Received</b>	<b>116,350</b>			<b>105,059</b>	<b>73,000</b>	
				<b>-1,051</b>		
				<b>104,008</b>		
<b>FY 2007:</b>						
Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re FY 2003)	60,725	a/				60,725
Revenue Forgone Reform Reimbursement	19,190	a/			29,000	19,190
<b>Total Appropriated, Senate Bill</b>	<b>29,000</b>				<b>102,000</b>	<b>79,915</b>
<b>Amount Received</b>	<b>108,915</b>				<b>102,000</b>	

a/ Advance Funding

# **UNITED STATES POSTAL SERVICE**

## **Fiscal Year 2008 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. P.L. 109-435 removed the separate limitations on borrowing for capital improvements and operating expenses so that under the \$15 billion debt cap, the annual increase in outstanding debt cannot now exceed a combined total of \$3.0 billion. As of September 30, 2007, it is expected that the total debt instruments issued and outstanding pursuant to this authority will amount to \$3.0 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:

- o 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.
- o Maximum annual net increase in obligations outstanding for capital improvements increased to \$2.0 billion.
- o 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:

- o 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.
- o 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.
- o 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.

## **U.S. POSTAL SERVICE**

### **OBRA of 1990 – cont'd**

- o 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.
- o 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 paid 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, were 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 should be held in escrow until directed by Congress as to their use.

## **U.S. POSTAL SERVICE**

### **Postal Accountability and Enhancement Act of 2006 (P.L. No. 109-435)**

**Public Law 109-435, signed into law by the President on December 20, 2006, made a number of changes affecting the operations and oversight of the Postal Service, many of which are consistent with the recommendations of the President's Commission.**

**The Act provided for separate accounting and reporting for Postal Service activities related to:**

- **Products where the Postal Service dominates the market**
- **Products where the Postal Service is in a competitive market.**

**The Act amended the process for determining rate increases for market-dominant products, in part by imposing a limitation on rate increases for at least the next 10 years linked to the Consumer Price Index. This will provide the Postal Service with flexibility and ratepayers with a degree of rate predictability. The Act also replaced the Postal Rate Commission with a Postal Regulatory Commission with expanded authorities, including subpoena powers.**

## **U.S. POSTAL SERVICE**

### **Postal Accountability and Enhancement Act of 2006 (P.L. No. 109-435) (cont.)**

**P.L. 109-435 created the Postal Service Retiree Health Benefits Fund to put the Postal Service on a path that fully funds its substantial retiree (annuitant) health benefits liabilities. The new Fund receives from the Postal Service:**

- **The pension savings provided to the Postal Service by the Postal Civil Service Retirement System Funding Reform Act of 2003 (P.L. 108-18) that were held in escrow during 2006.**
- **A 10-year stream of payments defined within P.L. 109-435 to begin the liquidation of the Postal Services unfunded liability for post-retirement health benefits.**
- **Beginning in 2017, payments for the actuarial cost of Postal Service contributions, for the post-retirement health benefits for its current employees.**
- **The surplus resources of Civil Service Retirement and Disability Fund that are not needed to finance future retirement benefits under CSRS to current or former employees of the Postal Service that are attributable to civilian employment with the Postal Service, including the savings from shifting the responsibility for retirement credit related to military service from the Postal Service to the Treasury (effectively eliminating the need for the dynamic CSRS funding payments and supplemental liability payments).**

**As a result of this new health benefits financing system, the Postal Service will cease to pay annual premium cost for its post-1971 current annuitants directly to the Employees and Retired Employees Health Benefits Fund in 2017. Instead, these premium payments will be paid from amounts that the Postal Service remits to this new fund. Payments for a proportion of the premium costs of Postal Service annuitants pre-1971 service would continue to be paid by the General Fund of the Treasury through the Government Payment for Annuitants, Employees Health Benefits account.**

***The following Program and Financing Statement and Statement of Revenue and Expense reflect actual financial results for Fiscal Year 2006 and the Postal Service forecasts for Fiscal Years 2007 and 2008.***

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

ITEM	ACTUAL FY 2006	ESTIMATE FY 2007	ESTIMATE FY 2008
<b>Obligations by Program Activity:</b>			
<b>Reimbursable Program:</b>			
Postal Field Operations	54,204	54,092	54,520
Transportation	6,045	6,530	6,440
Building Occupancy	2,091	2,167	2,248
Supplies and Services	2,708	2,643	2,675
Research and Development	41	37	38
Administration and Area Operations	4,946	5,011	5,415
Interest	235	247	244
Servicewide Expenses	93	6,748	4,112
Capital Investments	4,768	3,548	3,009
<b>Total New Obligations</b>	<b>75,131</b>	<b>81,023</b>	<b>78,701</b>
<b>Budgetary Resources Available for Obligation:</b>			
New Budget Authority (gross)	75,131	83,123	81,701
Redemption of Debt	...	-2,100	-3,000
<b>Total Budgetary Resources Available for Obligation</b>	<b>75,131</b>	<b>81,023</b>	<b>78,701</b>
<b>Total New Obligations</b>	<b>-75,131</b>	<b>-81,023</b>	<b>-78,701</b>
<b>New Budget Authority (gross)</b>			
Authority to Borrow (indefinite)	3,693	8,290	3,722
Spending Authority from Offsetting Collections	71,438	74,833	77,979
<b>Total New Budget Authority (gross)</b>	<b>75,131</b>	<b>83,123</b>	<b>81,701</b>

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

ITEM	ACTUAL FY 2006	ESTIMATE FY 2007	ESTIMATE FY 2008
<b>Change in Obligated Balances:</b>			
Obligated Balance, Start of Year	21,284	26,052	29,600
Total new Obligations	75,131	81,023	78,701
Total outlays (gross)	<u>-70,363</u>	<u>-77,475</u>	<u>-75,692</u>
Obligated Balance, End of Year	26,052	29,600	32,609
<b>Outlays (gross) Detail:</b>			
Outlays from New Mandatory Authority	70,363	77,475	75,692
<b>Offsets Against Gross Budget Authority and Outlays:</b>			
<b>Offsetting Collections from:</b>			
Federal Sources	-950	-908	-863
Interest on U.S. Securities	-140	-253	-383
Non-Federal sources	<u>-70,348</u>	<u>-73,672</u>	<u>-76,733</u>
Total, Offsetting Collections	-71,438	-74,833	-77,979
<b>Net budget Authority and Outlays:</b>			
Budget Authority	3,693	8,290	3,722
Outlays	<u>-1,075</u>	<u>2,642</u>	<u>-2,287</u>

**U.S. POSTAL SERVICE  
STATEMENT OF REVENUE AND EXPENSE**

(in millions of dollars)

	ACTUAL FY 2006	ESTIMATE FY 2007
TOTAL REVENUE	72,817	75,273
TOTAL EXPENSES	<i>a/</i> 71,917	<i>b/c/</i> 80,217
NET INCOME, LOSS (-)	<i>a/</i> 900	<i>b/c/</i> -4,944

*a/* Does not include additional \$3.0 billion annual escrow deposit required pursuant to P. L. 108-18.

*b/* Includes the escrow from FY 2006 of \$3.0 billion as an expense for FY 2007

*c/* Includes P.L. 109-435 Postal Service Retiree Health Benefits Fund of \$3.7 billion for FY 2007 and \$4.0 billion for FY 2008