

UNITED STATES POSTAL SERVICE

Fiscal Year 2009 Budget Congressional Submission

**Finance
Budget and Financial Analysis**

**U.S. POSTAL SERVICE
FY 2009 BUDGET**

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U.S. POSTAL SERVICE Appropriations

The following schedules reflect the Postal Service's budget request for Fiscal Year 2009.

Revenue Forgone

The Postal Service requests funding in Fiscal Year 2009 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 2009.

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

1/30/2008

APPROPRIATIONS

I-1

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

	Public Service Costs	Revenue Forgone	Emergency Preparedness Costs	Total
FY 2007:				
USPS Request	152,735	...	152,735
OMB Proposal	79,915	...	79,915
Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies				
Division B--Continuing Appropriations Resolution for 2007 P.L. 110-5				
Available, October 1, 2006	29,000	...	29,000
Available, October 1, 2007	79,915	...	79,915
FY 2008:				
USPS Request	153,447	...	153,447
OMB Proposal	88,864	...	88,864
-- Consolidated Appropriations Act, 2008 P.L. 110-161				
Available, October 1, 2007	29,000	...	29,000
Available, October 1, 2008	88,864	...	88,864
FY 2009:				
USPS Request	117,669	...	117,669
OMB Proposal	82,831	...	82,831

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

	FY 2007			FY 2008			FY 2009	
	Request	OMB Proposal	P.L. No. 110-5	Request	OMB Proposal	P.L. No. 110-161	Request	OMB Proposal
A. Total Budget Authority (Appropriations).....	152,735	79,915	108,915	153,447	88,864	117,864	117,669	82,831
B. Program by Activity:								
1. Public Service Costs.....	...	...	...	...	...	...	...	...
2. Free for the Blind and Overseas Voting	80,127	60,725	60,725	83,518	64,446	64,446	69,839	67,526
3. Free and Reduced-rate Mail: Reconciliation Adjustment	43,608	19,190	19,190	40,929	24,418	24,418	18,830	15,305
4. Revenue Forgone Reform Reimbursement	29,000	...	29,000	29,000	...	29,000	29,000	...
5. Emergency Preparedness Costs .....	...	...	...	...	...	...	...	...
Total Appropriations	152,735	79,915	108,915	153,447	88,864	117,864	117,669	82,831

a/ Includes \$29,000 thousand available in FY 2007 and \$79,915 thousand not available until 10/1/07.
b/ Includes \$29,000 thousand available in FY 2008 and \$88,864 thousand not available until 10/1/08.

1/30/2008

APPROPRIATIONS SUMMARY

U.S. POSTAL SERVICE

Federal Funds

Payment to the Postal Service Fund

General and special funds:

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) , \$88,669,000 ; 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 2007 Actual	FY 2008 P.L. 110-161	FY 2009	
			Request	OMB Proposal
Program by activities:				
Payment to the Postal Service fund for:				
Revenue forgone on free and reduced-rate mail:				
Current year.....	60,725	64,446	69,839	67,526
Reconciliation adjustment	19,190	24,418	18,830	15,305
Subtotal.....	79,915	88,864	88,669	82,831
Revenue forgone reform reimbursement:.....	29,000	29,000	29,000	...
Subtotal , free and reduced-rate mail.....	108,915	117,864	117,669	82,831
Emergency Preparedness Costs .....	...	...	...	...
Total payment to the Postal Service Fund (total obligations)(41.0).....	108,915	117,864	117,669	82,831
Financing:				
Budget authority (appropriations)	108,915	117,864	117,669	82,831

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

b/ Includes \$29,000 thousand available in FY 2008 and \$88,864 thousand not available until 10/1/08.

U.S. POSTAL SERVICE
Federal Funds

Payment to the Postal Service Fund

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

	FY 2007	FY 2008	FY 2009	
	Actual	P.L. 110-161	Request	OMB Proposal
Relation of obligations to outlays:				
Obligations incurred, net	a/ 108,915	b/ 117,864	117,669	82,831
Outlays	a/ 108,915	b/ 117,864	117,669	82,831

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

b/ Includes \$29,000 thousand available in FY 2008 and \$88,864 thousand, not available until 10/1/08.

An appropriation of \$69,839,000 is for reimbursing the Postal Service for providing free mail for the blind and overseas voting; \$18,830,000 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 2009 for carrying certain categories of mail for free.

1/30/2008

APPROPRIATIONS

**U. S. POSTAL SERVICE
APPROPRIATIONS**

Justifications

a. FY 2009 Appropriation request for Free for the Blind and Overseas Voting mail, \$69,839,000:

(in thousands of dollars)

Item	FY 2007	FY 2008	FY 2009	
	Amount	Amount	Change from Prior Year	Change from Prior Year
A. Free for the Blind	63,075	83,250	20,175	-14,422
B. Overseas Voting	414	268	-146	743
Total, Free for the Blind and Overseas Voting	63,489	83,518	20,029	-13,679

An appropriation of \$69,839,000 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, \$18,830,000:
 (in thousands of dollars)

ITEM	FY 2007	FY 2008		FY 2009	
	Amount	Amount	Change from Prior Year	Amount	Change from Prior Year
Reconciliation adjustment	19,190	40,929	21,739	18,830	-22,099

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 third 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 2007). Therefore, FY 2009 request includes a reconciliation adjustment for two years (FY 2006 and FY 2007).

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 \$18,830,000 to adjust the reimbursement for services performed on Free Mail for the Blind and Overseas Voting mail during Fiscal Year 2006 and Fiscal Year 2007. Amounts appropriated to the Postal Service for Fiscal Years 2006 and 2007 were based on estimates that appropriations amounting to \$58,006,000 would be required for FY 2006 and \$60,725,000 for FY 2007. However, audited mail volumes indicate that \$74,072,000 was actually required to fully reimburse the Postal Service for services provided during FY 2006 and \$63,489,000 during FY 2007. Therefore, balances of \$16,066,000 relating to FY 2006 and \$2,764,000 relating to FY 2007 remain unpaid for which reimbursement is requested in this Fiscal Year 2009 appropriation request.

(in thousands of dollars)

	Free for the Blind	Overseas Voting	Reduced- rate Mail	Total	Reconciliation Adjustment
FY 2005:					
Based Upon Final Audited Mail Volume.....	79,380	669	...	80,049	
Appropriation Received a/.....	55,131	55	...	55,186	
Reconciliation Adjustment - Funded in FY 2008.....	24,249	614	...	----->	24,863
FY 2006:					
Based Upon Final Audited Mail Volume	73,778	294	...	74,072	
Appropriation Received b/.....	<u>57,774</u>	<u>232</u>	...	<u>58,006</u>	
Reconciliation Adjustment	16,004	62	...	16,066	
FY 2007:					
Based Upon Final Audited Mail Volume	63,075	414	...	63,489	
Appropriation Received	<u>60,522</u>	<u>203</u>	...	<u>60,725</u>	
Reconciliation Adjustment	2,553	211	...	2,764	
Reconciliation Adjustment - FY 2009 Request.....	18,557	273	...	----->	18,830

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

b/ Received Oct. 1, 2006. Reflects 1.00% rescission authorized by the Continuing Appropriations Resolution 2007 (P.L.110-5)

**U. S. POSTAL SERVICE
APPROPRIATIONS**

Justifications - Cont'd

FY 2009 Appropriation Request for Revenue Forgone Reform Reimbursement, \$29,000,000:

(in thousands of dollars)

ITEM	FY 2007	FY 2008	FY 2009	
	Amount	Amount	Change from Prior Year	Change from Prior Year
Revenue Forgone Reform Reimbursements				
Current Year Installment	29,000	29,000	...	...
Total	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) through (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 2006	FY 2007	FY 2008	FY 2009
FY 2006: Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re: FY 2003) Revenue Forgone Reform Reimbursement Total Appropriated, PL 109-115 Less 0.80% Rescinded by Consolidated Appropriations Act, 2005 (PL 109-115) Amount Received	58,767	14,350	58,767		
	28,583	29,000	14,233		
	29,000				
	116,350	43,350	73,000		
		-347			
		43,003			
FY 2007: Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re FY 2004) Revenue Forgone Reform Reimbursement Total Appropriated, Division B--Continuing Appropriations Resolution, 2007, P.L. 110-5 Amount Received	60,725		29,000	60,725	
	19,190		29,000	19,190	
	29,000		102,000	79,915	
	108,915		102,000		
			102,000		
FY 2008: Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re FY 2005) Revenue Forgone Reform Reimbursement Total Appropriated, Consolidated Appropriations Act, 2008 - P.L. 110-161 Amount Received	64,446			64,446	
	24,418			24,418	
	29,000			29,000	
	117,864			108,915	88,864
				108,915	

a/ Advance Funding

1/30/2008

APPROPRIATIONS

UNITED STATES POSTAL SERVICE

**Fiscal Year 2009 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, 2008, it is expected that the total debt instruments issued and outstanding pursuant to this authority will amount to \$5.0 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.

Debt Legislation

P.L. No. 109-435 changed the structure of our borrowing authority. The following changes have been made to Postal Service statutory borrowing authority:

- Maximum total outstanding borrowing continued to be \$15.0 billion for Fiscal Year 1992 and each fiscal year thereafter.
- 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.

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 Service's 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 2007 and the Postal Service and Office of Management & Budget (OMB) forecasts for Fiscal Years 2008 and 2009.

1/30/2008

PROGRAM AND FINANCING

II-9

U.S. POSTAL SERVICE PROGRAM AND FINANCING

(in millions of dollars)

ITEM	ACTUAL	ESTIMATE	ESTIMATE
	FY 2007	FY 2008	FY 2009
Obligations by Program Activity:			
Reimbursable Program:			
Postal Field Operations	53,240	53,173	54,986
Transportation	6,502	6,892	7,032
Building Occupancy	2,055	2,154	2,210
Supplies and Services	2,566	2,641	2,653
Research and Development	20	21	21
Administration and Area Operations	12,922	10,805	10,796
Interest	9	37	33
Servicewide Expenses	522	116	118
Capital Investments	2,517	3,035	2,523
Total New Obligations	80,353	78,874	80,372
Budgetary Resources Available for Obligation:			
Unobligated balance carried forward, start of year	0	1,180	0
New Budget Authority (gross)	83,638	80,758	82,849
Redemption of Debt	-2,100	-3,064	-2,477
Total Budgetary Resources Available for Obligation	81,538	78,874	80,372
Total New Obligations	-80,353	-78,874	-80,372
Unobligated balance expiring or withdrawn	-5		
Unobligated balance carried forward, end of year	1,180	0	0
New Budget Authority (gross)	8,899	3,079	3,801
Authority to Borrow (indefinite)	74,739	77,679	79,048
Spending Authority from Offsetting Collections			
Total New Budget Authority (gross)	83,638	80,758	82,849

Note: FY 08 and FY 09 are OMB estimates and are not indicative of the US Postal Service Board of Governors estimates.

1/30/2008

PROGRAM AND FINANCING

II-10

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

ITEM	ACTUAL	ESTIMATE	ESTIMATE
	FY 2007	FY 2008	FY 2009
Change in Obligated Balances:			
Obligated Balance, Start of Year	26,052	26,573	26,823
Total new Obligations	80,353	78,874	80,372
Total outlays (gross)	-79,832	-78,624	-80,119
Obligated Balance, End of Year	26,573	26,823	27,076
Outlays (gross) Detail:			
Outlays from New Mandatory Authority	-79,832	-78,624	-80,119
Offsets Against Gross Budget Authority and Outlays:			
Offsetting Collections from:			
Federal Sources	912	929	918
Interest on U.S. Securities	170	39	61
Non-Federal sources	73,891	76,961	78,322
Total, Offsetting Collections	74,973	77,929	79,301
Net budget Authority and Outlays:			
Budget Authority	8,665	2,829	3,548
Outlays	4,859	695	818

Note: FY 08 and FY 09 are OMB estimates and are not indicative of the US Postal Service Board of Governors estimates.

1/30/2008

PROGRAM AND FINANCING

II-11

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

(in millions of dollars)

	ACTUAL FY 2007	ESTIMATE FY 2008	ESTIMATE FY 2009
TOTAL REVENUE	74,973	77,983	79,352
TOTAL EXPENSES	80,115 a/b/	77,822 b/	78,645 b/
NET INCOME, LOSS (-)	-5,142 a/b/	160 b/	707 b/

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

b/ Includes P.L. 109-435 Postal Service Retiree Health Benefits Fund of \$5.4 billion for FY 2007,
\$5.6 billion for FY 2008, and \$5.4 billion for FY 2009.

UNITED STATES POSTAL SERVICE
CONGRESSIONAL BUDGET WORKPAPERS
FY 2009

**FISCAL YEAR 2009 PRESIDENT'S
BUDGET HIGHLIGHTS**

ITEM	ACTUAL FY 2007	USPS	OMB	OMB	USPS	OMB	OMB
		ESTIMATE FY 2008	PROPOSED ADJ.	ESTIMATE FY 2008	ESTIMATE FY 2009	PROPOSED ADJ.	ESTIMATE FY 2009
Workyears	801,641	776,770		776,770	762,305		762,305
Mail Volume (Millions of Pieces)	212,234	211,044		211,044	211,591		211,591
Mail Volume (Percent Change Over Previous Year)	-0.4%	-0.6%		-0.6%	0.3%		0.3%
Workyears (Percent Change Over Previous Year)	-1.9%	-3.1%		-3.1%	-1.9%		-1.9%
Change in Pieces Per Workyear (Percent Change Over Previous Year)	1.6%	2.6%		2.6%	2.2%		2.2%
Total Revenues and Operating Receipts	74,972,813	77,982,571		77,982,571	79,351,519		79,351,519
Total Expenses	80,115,211	77,822,453		77,822,453	78,644,972		78,644,972
Net Income or (Loss)	(5,142,398)	160,118		160,118	706,547		706,547
Capital Commitments (\$000) Net	2,516,666	3,034,837		3,034,837	2,523,142		2,523,142
Capital Commitments (\$000) Gross	2,125,137	3,034,837		3,034,837	2,523,142		2,523,142
Capital Outlays (\$000)	2,578,394	2,325,501		2,325,501	2,591,360		2,591,360

ACTUAL FISCAL YEAR: 2007
BUDGET HIGHLIGHTS

**COST SEGMENT 1
Postmasters**

	Actual FY 2007	Estimate FY 2008	Change		Estimate FY 2009	Change	
			Amount FY 2008	Percent FY 2008		Amount FY 2009	Percent FY 2009
Resources: Positions Workyears	31,088	31,181	93	0.3%	31,066	(115)	-0.4%
Expenses (\$000):							
Salaries and Benefits	2,164,280	2,235,379	71,098	3.3%	2,337,867	102,488	4.6%
Travel and Transportation of Persons	34,157	37,847	3,690	10.8%	38,926	1,080	2.9%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Total	2,198,437	2,273,225	74,788	3.4%	2,376,793	103,568	4.5%

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 101 and 102. Also included are amounts recorded in account identifier codes related to the same sub-accounts.

USPS - Confidential

ACTUAL FISCAL YEAR:

2007

Page 2

**COST SEGMENT 2
Professionals and Supervisors**

Description:	Actual	Estimate	Change	Percent	Estimate	Change	Percent
	FY 2007	FY 2008	Amount FY 2008	FY 2008	FY 2009	Amount FY 2009	FY 2009
Resources:							
Positions							
Workyears	51,218	49,620	(1,598)	-3.1%	48,562	(1,057)	-2.1%
Expenses (\$000):							
Salaries and Benefits	4,043,595	4,047,985	4,391	0.1%	4,122,339	74,354	1.8%
Travel and Transportation of Persons	47,335	52,444	5,109	10.8%	53,936	1,492	2.8%
Transportation of Things	-	-	0	0.0%	-	-	0.0%
Benefits of Former Personnel	15	15	0	1.6%	15	-	0.0%
Total	4,090,944	4,100,444	9,500	0.2%	4,176,291	75,846	1.8%

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.

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ACTUAL FISCAL YEAR: 2007

**COST SEGMENT 3
Clerks and Mail Handlers CAG A-J**

	Actual FY 2007	Estimate FY 2008	Change		Estimate FY 2009	Change	
			Amount FY 2008	Percent FY 2008		Amount FY 2009	Percent FY 2009
Resources:							
Positions							
Workyears	295,775	277,145	(18,630)	-6.3%	270,356	(6,789)	-2.4%
Expenses (\$000):							
Salaries and Benefits	18,651,161	18,077,710	(573,451)	-3.1%	18,038,233	(39,477)	-0.2%
Travel and Transportation of Persons	16,613	18,398	1,785	10.7%	18,916	518	2.8%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	138	140	2	1.6%	140	-	0.0%
Total	18,667,912	18,096,248	(571,664)	-3.1%	18,057,289	(38,959)	-0.2%

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.

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ACTUAL FISCAL YEAR:

2007

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**COST SEGMENT 4
Clerks CAG K**

Description:	Actual	Estimate	Change	Percent	Estimate	Change	Percent
	FY 2007	FY 2008	Amount FY 2008	FY 2008	FY 2009	Amount FY 2009	FY 2009
Resources:							
Positions							
Workyears	91	90	(1)	-0.6%	90	(0)	-0.5%
Expenses (\$000):							
Salaries and Benefits	4,660	4,847	187	4.0%	4,970	123	2.5%
Travel and Transportation of Persons	50	55	5	10.7%	57	2	2.8%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Total	4,710	4,903	193	4.1%	5,027	124	2.5%

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.

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ACTUAL FISCAL YEAR:

2007

**COST SEGMENT 6
City Delivery Carriers**

	Actual FY 2007	Estimate FY 2008	Change		Estimate FY 2009	Change	
			Amount FY 2008	Percent FY 2008		Amount FY 2009	Percent FY 2009
Resources:							
Positions							
Workyears	244,783	241,296	(3,487)	-1.4%	236,412	(4,885)	-2.0%
Expenses (\$'000):							
Salaries and Benefits	16,266,308	15,962,112	(304,196)	-1.9%	16,108,113	146,002	0.9%
Travel and Transportation of Persons	6,248	6,921	673	10.8%	7,117	196	2.8%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	(3)	(3)	(0)	1.6%	(3)	-	0.0%
Total	16,272,553	15,969,029	(303,524)	-1.9%	16,115,227	146,197	0.9%

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.

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ACTUAL FISCAL YEAR:

2007

**COST SEGMENT 8
Vehicle Drivers**

Description:	Actual	Estimate	Change	Percent	Estimate	Change	Percent
	FY 2007	FY 2008	Amount FY 2008	FY 2008	FY 2009	Amount FY 2009	FY 2009
Resources:							
Positions							
Workyears	9,611	9,546	(64)	-0.7%	9,526	(21)	-0.2%
Expenses (\$000):							
Salaries and Benefits	657,387	675,096	17,709	2.7%	688,095	12,998	1.9%
Travel and Transportation of Persons	291	324	33	11.4%	335	11	3.3%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Total	657,678	675,420	17,743	2.7%	688,429	13,009	1.9%

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.

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ACTUAL FISCAL YEAR:

2007

**COST SEGMENT 10
Rural Carriers**

	Actual	Estimate	Change	Percent	Estimate	Change	Percent
	FY 2007	FY 2008	Amount FY 2008	FY 2008	FY 2009	Amount FY 2009	FY 2009
Resources:							
Positions							
Workyears	102,537	101,934	(603)	-0.6%	100,679	(1,255)	-1.2%
Expenses (\$000):							
Salaries and Benefits	5,859,997	5,851,207	(8,790)	-0.1%	5,927,152	75,945	1.3%
Travel and Transportation of Persons	7,070	7,833	763	10.8%	8,056	223	2.8%
Transportation of Things	494,645	533,384	38,738	7.8%	584,158	50,774	9.5%
Benefits of Former Personnel	(1)	(1)	(0)	1.6%	(1)	-	0.0%
Total	6,361,711	6,392,423	30,712	0.5%	6,519,365	126,942	2.0%

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.

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ACTUAL FISCAL YEAR:

2007

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**COST SEGMENT 11
Building, Plant and Operating Equipment**

	Actual FY 2007	Estimate FY 2008	Change Amount FY 2008	Percent FY 2008	Estimate FY 2009	Change Amount FY 2009	Percent FY 2009
Resources:							
Positions							
Workyears	46,038	45,534	(504)	-1.1%	45,207	(327)	-0.7%
Expenses (\$000):							
Salaries and Benefits	3,198,291	3,269,917	71,626	2.2%	3,322,097	52,180	1.6%
Travel and Transportation of Persons	24,685	27,307	2,622	10.6%	28,054	747	2.7%
Transportation of Things	-	-	-	0.0%	-	-	0.0%
Benefits of Former Personnel	(1)	(1)	(0)	1.6%	(1)	-	0.0%
Other Services	99,917	103,182	3,265	3.3%	106,201	3,020	2.9%
Total	3,322,892	3,400,405	77,513	2.3%	3,456,352	55,946	1.6%

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.

**COST SEGMENT 12
Vehicle Maintenance**

	Actual FY 2007	Estimate FY 2008	Change		Estimate FY 2009	Change	
			Amount FY 2008	Percent FY 2008		Amount FY 2009	Percent FY 2009
Resources:							
Positions							
Workyears	6,272	6,309	38	0.6%	6,314	4	0.1%
Expenses (\$'000):							
Salaries and Benefits	432,863	450,761	17,898	4.1%	462,436	11,675	2.6%
Travel and Transportation of Persons	1,543	1,707	163	10.6%	1,753	46	2.7%
Transportation of Things	15,638	16,075	437	2.8%	16,189	114	0.7%
Benefits of Former Personnel	(0)	(0)	(0)	1.6%	(0)	-	0.0%
Communication, Utilities, and Misc.	29	30	1	4.8%	31	1	3.3%
Other Services	149,674	156,688	6,995	4.7%	161,655	4,987	3.2%
Supplies and Materials	281,704	295,895	14,191	5.0%	305,872	9,978	3.4%
Inventory Adjustments	327,490	343,154	15,664	4.8%	354,412	11,258	3.3%
Total	1,208,942	1,264,291	55,349	4.6%	1,302,349	38,058	3.0%

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-account 141. 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.

USPS - Confidential

ACTUAL FISCAL YEAR:

2007

**COST SEGMENT 13
Miscellaneous Field Operations**

Description:	Actual	Estimate	Change	Percent	Estimate	Change	Percent
	FY 2007	FY 2008	Amount FY 2008	FY 2008	FY 2009	Amount FY 2009	FY 2009
Resources:							
Positions							
Workyears	675	675	-	0.0%	675	-	0.0%
Expenses (\$000):							
Salaries and Benefits	477,436	196,466	(280,971)	-58.8%	200,638	4,172	2.1%
Travel and Transportation of Persons	27,704	29,187	1,484	5.4%	29,973	786	2.7%
Transportation of Things	19,024	19,820	796	4.2%	20,107	286	1.4%
Benefits of Former Personnel	-	-	-	0.0%	-	-	0.0%
Communication, Utilities, and Misc.	4	4	-	0.0%	4	-	0.0%
Other Services	79,135	83,578	4,443	5.6%	86,389	2,811	3.4%
Supplies and Materials	178,414	180,360	1,945	1.1%	181,640	1,281	0.7%
Total	781,718	509,415	(272,302)	-34.8%	518,751	9,336	1.8%

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.

USPS - Confidential

ACTUAL FISCAL YEAR:

2007

**COST SEGMENT 14
Transportation**

	Actual FY 2007	Estimate FY 2008	Change Amount FY 2008	Percent FY 2008	Estimate FY 2009	Change Amount FY 2009	Percent FY 2009
Resources: Positions Workyears	-	-	-	0.0%	-	-	0.0%
Expenses (\$000):							
Transportation of Things	6,502,028	6,892,120	390,092	6.0%	7,032,067	139,947	2.0%
Total	6,502,028	6,892,120	390,092	6.0%	7,032,067	139,947	2.0%

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 include Vehicle Service Drivers and Postal Service owned vehicles, are included in Cost Segment 8.) This segment also includes the costs of transporting international 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 SDRs. The cost of overseas military and official U. S. Government mail and an exactly offsetting reimbursement from the U. S. Government is also included in this segment.

USPS - Confidential

ACTUAL FISCAL YEAR:

2007

**COST SEGMENT 15
Building Occupancy**

Description:	Actual	Estimate	Change	Percent	Estimate	Change	Percent
	FY 2007	FY 2008	Amount FY 2008	FY 2008	FY 2009	Amount FY 2009	FY 2009
Resources:							
Positions							
Workyears				0.0%			0.0%
Expenses (\$000):							
Transportation of Things	1,503	1,566	63	4.2%	1,588	22	1.4%
Rental Payments to GSA	45,641	47,103	1,462	3.2%	48,450	1,347	2.9%
Rental Payments to Others	987,235	1,018,854	31,618	3.2%	1,047,984	29,130	2.9%
Communications, Utilities, and Misc	785,410	840,582	55,172	7.0%	863,065	22,484	2.7%
Other Services	235,158	245,839	10,681	4.5%	249,095	3,256	1.3%
Equipment	-	-	-	0.0%	-	-	0.0%
Capitalized Leases	(118,990)	(122,801)	(3,811)	3.2%	(126,312)	(3,511)	2.9%
Total	1,935,958	2,031,143	95,185	4.9%	2,083,870	52,727	2.6%

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:

2007

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UNITED STATES POSTAL SERVICE

FY 2009 BUDGET

CONGRESSIONAL SUBMISSION

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**U. S. POSTAL SERVICE
MAIL VOLUME AND REVENUE
FISCAL YEARS 2007 - 2009
(IN THOUSANDS)**

CLASSIFICATION	FY 2007 ACTUAL				FY 2008 ESTIMATE				FY 2009 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
OPERATING REVENUES	95,898,143	-1.62%	37,330,905	1.66%	94,763,617	-1.18%	38,419,627	2.92%	93,779,297	-1.04%	38,672,665	0.66%
FIRST CLASS	54,764	-2.12%	950,570	3.63%	46,383	-15.30%	869,017	-8.58%	42,174	-9.08%	810,099	-6.78%
EXPRESS MAIL	-	-100.00%	-	-100.00%	-	#DIV/0!	-	-	-	#DIV/0!	-	-
MALGRAMS	896,865	-3.22%	5,227,451	3.13%	866,596	-3.37%	5,502,313	5.26%	871,411	0.56%	5,674,659	3.13%
PRIORITY (HEAVY PIECES)	8,795,831	-2.51%	2,168,428	-1.25%	8,599,015	-2.24%	2,296,336	5.90%	8,253,820	-4.01%	2,259,545	-1.60%
PERIODICALS	103,516,112	1.03%	20,673,439	4.56%	103,656,478	0.14%	21,729,278	5.11%	105,553,437	1.83%	22,616,329	4.08%
STANDARD MAIL	1,162,838	-1.05%	2,301,947	1.42%	1,177,711	1.28%	2,476,524	7.58%	1,175,106	-0.22%	2,503,153	1.09%
PACKAGE SERVICES	1,008,380	-0.17%	...	...	1,030,312	2.17%	...	...	1,044,289	1.35%	...	...
U.S. POSTAL SERVICE MAIL	68,501	-7.65%	...	...	69,440	1.37%	...	...	70,801	1.96%	...	...
FREE-FOR-THE-BLIND MAIL	832,586	5.03%	2,035,794	13.32%	833,987	0.17%	2,184,785	7.32%	800,214	-4.05%	2,168,006	-0.77%
INTERNATIONAL FEES INCL	...	...	368,161	-3.57%	...	...	360,780	-2.00%	...	...	359,566	-0.34%
DOMESTIC FEES	...	...	...	...	...	...	...	...	...	...	...	...
TOTAL VOLUME & REVENUE FROM MAIL	212,234,019	-0.36%	71,056,695	2.80%	211,043,539	-0.56%	73,838,660	3.92%	211,590,518	0.26%	75,064,031	1.66%
SPECIAL SERVICES & OTHER-	...	...	...	...	...	...	...	...	...	...	...	...
BOX RENTS	163,348	-7.30%	836,931	2.86%	153,550	-6.00%	949,514	13.45%	140,430	-8.54%	967,995	1.95%
MONEY ORDER FEES	1,459,181	7.90%	1,664,058	8.66%	1,532,291	5.01%	1,765,940	7.32%	1,634,872	6.69%	1,867,686	4.02%
SPECIAL SERVICES	...	...	914,528	10.34%	...	...	1,037,798	13.48%	...	...	1,073,528	3.44%
OTHER REVENUE NET	...	...	...	...	...	...	...	...	...	...	...	...
TOTAL SPEC. SVCS. & OTHER REVENUE	...	...	3,582,480	7.20%	...	...	3,942,801	10.06%	...	...	4,058,167	2.93%
TOTAL OPERATING REVENUE	...	...	74,639,184	3.00%	...	...	77,781,462	4.21%	...	...	79,122,198	1.72%
APPROPRIATIONS	...	...	138,885	0.00%	...	...	137,843	-0.76%	...	...	143,695	4.25%
APPROPRIATIONS REVENUE	...	...	74,778,079	2.99%	...	...	77,919,305	4.20%	...	...	79,265,893	1.73%
TOTAL REVENUES	...	...	194,734	0.00%	...	...	63,266	-67.51%	...	...	85,626	35.34%
INTEREST & INVEST. INCOME	74,972,813	2.98%	77,982,571	4.01%	79,351,519	1.76%
TOTAL REVENUE

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ACTUAL FISCAL YEAR: 2007

**U. S. POSTAL SERVICE
SPECIAL SERVICES TRANSACTIONS AND POSTAL REVENUE
FISCAL YEARS 2007 - 2009
(IN THOUSANDS)**

CLASSIFICATION	FY 2007 ACTUAL				FY 2008 ESTIMATE				FY 2009 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	6,080	-0.50%	68,405	7.48%	5,332	-12.01%	66,362	-3.00%	4,701	-11.83%	59,621	-10.14%
REGISTRY	280,226	5.86%	698,217	10.97%	280,996	0.24%	752,111	7.72%	286,767	2.10%	787,225	4.67%
CERTIFIED	58,609	-5.69%	163,475	-3.78%	56,977	-2.78%	168,025	-3.33%	54,636	-4.11%	155,156	-1.81%
INSURANCE	242,796	0.39%	530,487	6.19%	240,408	-0.98%	577,476	8.86%	245,140	1.97%	603,696	4.54%
DELIVERY RECT SERVICE	1,407	-9.76%	9,563	-3.40%	1,283	-8.81%	9,253	-3.25%	1,179	-8.07%	8,722	-5.73%
COLLECT-ON-DELIVERY	...	...	16,920	-32.82%	...	...	18,430	8.93%	...	...	18,370	-0.33%
STAMPED ENVELOPES	...	...	836,931	2.86%	...	...	949,514	13.45%	...	...	967,956	1.95%
BOX RENT	...	...	131,742	21.20%	947,396	8.89%	159,281	20.90%	1,042,430	10.03%	179,699	12.80%
DELIVERY CONFIRMATION	870,084	12.11%	212,221	9.76%	...	...	214,562	1.10%	...	...	204,183	-4.84%
OTHER	...	...	2,667,962	6.16%	1,532,291	5.01%	2,905,003	8.88%	1,634,872	6.69%	2,984,639	2.74%
TOTAL SPECIAL SERVICES	1,459,181	7.90%	2,667,962	6.16%	1,532,291	5.01%	2,905,003	8.88%	1,634,872	6.69%	2,984,639	2.74%

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ACTUAL FISCAL YEAR: 2007

SELECTED OPERATING STATISTICS

ITEM	FY 1971		FY 2007 ACTUAL		FY 2008 ESTIMATE		FY 2009 ESTIMATE	
	AMOUNT	% CHANGE FR SPLY	AMOUNT	% CHANGE FR SPLY	AMOUNT	% CHANGE FR SPLY	AMOUNT	% CHANGE FR SPLY
MAIL VOLUME (BILLIONS OF PIECES - GRT)	87.0	2.5%	212.2	-0.4%	211.0	-0.6%	211.6	0.3%
CITY DELIVERY: NUMBER OF ROUTES	132,923	1.9%	-	0.0%	-	0.0%	-	0.0%
POSSIBLE DELIVERIES (MILL)	57.0	2.0%	86.9	1.3%	87.5	0.7%	88.0	0.6%
RURAL DELIVERY: NUMBER OF ROUTES	31,517	-1.5%	76,937	5.9%	77,182	0.3%	79,495	3.0%
AVG DAILY ROUTE MILES	66.0	1.3%	3,370,535	1.8%	3,431,205	1.8%	3,492,966	1.8%
POST OFFICES:								
GAG A-J	5,162	3.7%	8,773	1.7%	8,822	0.6%	8,869	0.5%
GAG H-J	7,396	0.9%	9,033	2.4%	9,104	0.8%	9,152	0.5%
GAG K	12,551	-0.7%	8,387	-2.3%	8,292	-1.1%	8,191	-1.2%
GAG L	6,838	-3.0%	1,363	-7.8%	1,268	-6.3%	1,199	-5.4%
TOTAL	31,947	-0.2%	27,249	-100.0%	27,178	-0.3%	27,119	-0.2%
CONTRACT STATIONS	4,437	-10.6%	3,178	2.5%	3,200	0.7%	3,264	2.0%
TOTAL ACTIVE VEHICLE FLEET (NUMBER)	83,095	9.5%	-	0.0%	-	0.0%	-	0.0%
INTERIOR SPACE OCCUPIED: (THOUSANDS OF SQ. FT.)	158,997	1.8%	323,736	1.9%	324,379	0.2%	325,252	0.3%

ACTUAL FISCAL YEAR:

2007

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