Postal Regulatory Commission

CONGRESSIONAL BUDGET JUSTIFICATION
(Performance Budget Plan)

Fiscal Year 2012
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Executive Summary

The Postal Regulatory Commission is an independent agency created by the Postal Accountability and Enhancement Act (PAEA) in 2006, as successor to the former Postal Rate Commission, to provide strengthened oversight of the United States Postal Service. The Commission promotes high quality universal mail service for the American people by ensuring Postal Service transparency, accountability and compliance with the law.

The unique and distinct mission of the Postal Regulatory Commission is to ensure that the Postal Service provides Universal Service to meet the nation’s needs, in large measure through providing transparency and accountability into the financial operations, pricing policies, accountability, predictability and delivery performance of the Postal Service. We are the primary regulator of the Postal Service and work to provide a window on postal financial operations to Congress, stakeholders and the general public. Under the PAEA, the Postal Service has significantly more autonomy in setting rates; however, its ability to increase rates for market dominant products is limited by changes in the Consumer Price Index for All Urban Consumers (CPI-U). The law requires the Commission to complete its review of proposed new rates for market dominant products for compliance with the CPI cap within 45 days. To counterbalance the Postal Service’s autonomy in setting rates and introducing new services, the Commission is responsible for service performance through oversight responsibilities such as information gathering, annual determinations of Postal Service compliance, consideration of complaints, and periodic reports on postal operations.

In 2010, the Postal Service requested that the Postal Regulatory Commission conduct a Special Study to provide an actuarial evaluation of the possible overpayments to the Postal Service Civil Service Retirement System pension fund. That report was completed and has been instrumental in pending congressional legislation. The Postal Service also requested an advisory opinion on reducing delivery from six to five days and filed for a first-ever exigent rate increase under PAEA. The Commission also completed an advisory opinion, initiated in Fiscal Year (FY) 2009, regarding the Postal Service request to close as many as several thousand stations and branches.

The Postal Service had revenues of $68 billion in FY 2009 and revenues of $67 billion in FY 2010. The economic downturn has hurt most those sectors that relied heavily on the mails. Further, the gradual diversion of single-piece First Class Mail to e-mail and electronic bill payment accelerated as a result of pressures to reduce costs. The result has been the most severe mail volume declines since the Great Depression and significant financial losses for the Postal Service. Mail volume and revenue declined in 2009 at historic levels with mail volume decreasing by 12.7% and revenue decreasing by 9.9%.

In 2010 the Postal Service issued a report projecting continued revenue shortfalls for the next decade and an action plan to respond to the decline. While there has been criticism of the reliability of these forecasts, the Postal Service has nevertheless announced that it will proceed with a wide range of proposals that would have a significant effect on operations, costs and service to the public (USPS, “Envisioning the Future,” March 2, 2010). These proposals will necessitate increased regulatory activity by the Commission in FY 2011 and beyond.
The PAEA seeks to ensure the Commission’s independence by authorizing the submission of its budget request to the Congress separate from the Postal Service and the appropriation of necessary sums from the Postal Fund. Section 2009, of title 39, provides that:

(3) The Postal Regulatory Commission requests to be appropriated, out of the Postal Service Fund, under section 504(d) of this title. The President shall include these amounts, with his recommendations but without revision, in the budget transmitted to Congress under section 1105 of title 31.

The Commission has always recognized that its funding through the Postal Service Fund comes directly from the postal rates and fees paid by postal customers who use the U.S. Mail. The Commission continues to look for opportunities to optimize its efficient use of resources while maintaining adequate funds for operating costs. For example, the Commission processes its financial and personnel transactions through the Postal Service finance and human resources systems instead of creating and maintaining separate systems.

The FY 2012 proposed budget request of $14,450,000 is structured to ensure that the Commission’s resources are closely aligned with its Strategic Plan and to meet statutory responsibilities. We have budgeted the minimum resources needed for these purposes. The additional FTE will ensure the stability of the Commissions Information Systems and allow it to meet federal requirements and mandates, particularly in the areas of open government and information security. The proposed funding increase of $117,000 will allow the Commission to meet personnel costs associated with an increase in case filings; to comply with a mandated Inspector General pay raise; to meet contractual lease obligations, and to comply with federally mandated IT requirements such as Trusted Internet Connections, MTIPS and HSPD-12.
Mission

Ensure transparency and accountability of the United States Postal Service and foster a vital and efficient universal mail system

Guiding Principles

The Commission is committed to and operates by the principles of:

- Openness
- Stakeholder participation
- Collegiality and multi-disciplinary approaches
- Timely and rigorous analysis
- Fairness and impartiality
- Integrity
- Commitment to excellence
- Merit
Background

The Commission is an independent establishment of the Executive Branch, composed of five Commissioners, each appointed by the President, with the advice and by consent of the U.S. Senate, for a term of six years. The Chairman is designated by the President and serves as the head of the Commission. A Commissioner may continue to serve after the expiration of his or her term for up to one year. No more than three members of the Commission may be from the same political party.

Assisting the Commission is a staff with expertise in law, economics, finance, statistics, and cost accounting. The Commission is organized into four operational offices:

- Accountability and Compliance;
- General Counsel;
- Public Affairs and Government Relations;
- Secretary and Administration; and
- The Commission maintains an independent office for its Inspector General.

The Commission has exercised regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970. For thirty-six years, this oversight consisted primarily of conducting public, on-the-record hearings concerning proposed rate changes, mail classification, major service changes, and recommending decisions for action by the postal Governors.

The Postal Accountability and Enhancement Act (PAEA), enacted on December 20, 2006, produced the most significant changes in the regulatory landscape for the U.S. Postal Service and the U.S. postal system since 1970. The Act is founded on the principles of flexibility, transparency, accountability and predictability. The Commission’s role is to ensure that the Postal Service provides adequate service to the nation by providing transparency and accountability in postal operations, services and finances, and to serve as the window by which Congress and the American public have an unvarnished view of the Postal Service.

The PAEA requires the Commission to develop and maintain regulations for a modern system of rate regulation, consult with the Postal Service on delivery service standards and performance measures, consult with the Department of State on international postal policies, prevent cross-subsidization or other anticompetitive postal practices, inform the public, and adjudicate complaints. Additionally, it provides regulatory oversight of the pricing of the Postal Service’s products and services while serving as a forum to act on complaints with postal products and services.

The PAEA also assigns new and continuing oversight responsibilities to the Commission, including annual determinations of Postal Service compliance with applicable laws, development of accounting practices and procedures for the Postal Service; review of the Universal Service Obligation and Postal Monopoly; and assurance of transparency through periodic reports. New enforcement tools include subpoena power, authority to direct the Postal Service to adjust rates and to take other remedial actions, and levying fines in cases of deliberate noncompliance with applicable postal laws.
The Commission’s FY 2012 Performance Budget is structured on its Strategic and Operational Plan for FY 2008 – 2012. The Strategic and Operational Plan contains the following seven goals.

**Goal 1—Modern Rate and Product Regulation:** Establish and maintain a predictable, transparent, and effective system of rate and product regulation;

**Goal 2—Service Performance Evaluation:** Ensure appropriate and transparent United States Postal Service performance standards and measurements to promote an efficient, effective and responsive mail service;

**Goal 3—Financial Accountability and Compliance:** Ensure transparent, accurate, and informative United States Postal Service data reporting sufficient for evaluation of financial performance;

**Goal 4—Complaint Process:** Ensure United States Postal Service accountability through a fair and open public complaint process that provides appropriate and timely resolution;

**Goal 5—Public Participation and Government Relations:** Ensure the Commission is visible and readily accessible to all stakeholders;

**Goal 6—Human Capital:** Enhance a system that fosters recruitment, development, and retention of a talented and skilled workforce based on merit, and

**Goal 7—Integration and Support:** Utilize latest technology, operational systems, and organizational infrastructure in achieving Commission goals.
Postal Regulatory Commission Organizational Chart

PRC with Office Heads and Assistant Positions

Ruth Goldway, Chairman

Tony Hammond, Commissioner  Mark Acton, Vice-Chairman  Dan Blair, Commissioner  Nanci Langley, Commissioner

Office of Accountability & Compliance
  Director
  Assistant Director, Auditing & Costing Division

Office of the General Counsel
  General Counsel
  Assistant General Counsel

Office of Public Affairs & Government Relations
  Director

Office of the Secretary & Administration
  Secretary & Chief Administrative Officer
  Assistant Secretary & Administrative Officer

Office of the Inspector General
  Inspector General

§ 505 Officer of the Commission representing the general public
The PRC shall designate an Officer of the Commission in all public proceedings who shall represent the interests of the public.
Postal Regulatory Commission Achievements in Fiscal Year 2010

Some of the most significant achievements of the Commission during 2010 include: its report on Postal Service retirement accounting; public input on the Postal Service request to change from six to five day delivery; the advisory opinion on facility closings, and leadership in international postal discussions.

The Commission’s report Civil Service Retirement System Cost and Benefit Allocation Principles (submitted to Congress and the Postal Service on June 30, 2010), recommended a change in Office of Personnel Management accounting methods that would result in a $50 billion surplus that was the basis of proposed legislation.

In March 2010, the Postal Service filed a request to change from six day to five day delivery. The Commission conducted twelve sessions of public hearings, including seven field hearings across the country (Las Vegas, Sacramento, Dallas, Memphis, Chicago, Buffalo, and Rapid City, South Dakota) to collect public comments and testimony on the U.S. Postal Service proposal to eliminate Saturday mail delivery.

On March 10, 2010, the Commission completed an Advisory Opinion on a Postal Service proposal to close as many as 3,000 stations and branches, and advised the mailing community and Congress on its findings.

The Commission increased its leadership in the international postal arena. It presented at the Forum on Postal Regulation organized by the Universal Postal Union (UPU). In addition, it continued its leadership role in the second Postal Regulatory Dialogue providing a unique opportunity to share postal regulatory experience and practices.

The Commission handled an 11% increase in the number of docketed cases over FY 2009.

Other accomplishments include:

- Issued the second Annual Compliance Determination in accordance with the PAEA;
- Issued the second Annual Report;
- Testified at five hearings before Congress;
- In order to obtain public input on the very significant docketed cases initiated by the Postal Service, the Commission held four more regional public hearings than were held in the previous fiscal year (a total of 2 were held in FY 2009);
- Initiated the first-ever PRC Monthly Meetings open to the public;
- Office of Public Affairs and Government Relations received over 13,500 inquiries including informal comments for docket, and forwarded to the Postal Service 391 Rate or Service Inquiries (pursuant to the Commission’s Rules for Complaints) and 1,797 suggestions to improve service. Overall, the Commission received 11,700 more inquiries than were received in the previous fiscal year. The high number of inquiries is expected to continue as the Postal Service continues to request major service changes.
- Issued 17 Notices of Proposed Rulemaking;
- Issued Notices of Inquiry to encourage public input and discussion on several issues to better inform the decision-making process;
• Offered live audio-casts of hearings, technical conferences and public meetings, and posted the audio-casts to the [www.prc.gov](http://www.prc.gov) website as part of the Administration’s Open Government initiative;
• Handled 93 docketed cases, including competitive products, mail classification, rate adjustments, and a US Court of Appeals case;
• In the first judicial challenge to the exercise of Commission authority under the Postal Accountability and Enhancement Act of 2006, the Commission’s review of Postal Service activities and determination of which non-postal activities could continue, was affirmed (United States Postal Service v. Postal Regulatory Commission, 599 F.3d 705 [D.C. Cir. 2010]);
• Provided Public Representation in all docketed cases to ensure that the public interest is represented as required by the PAEA;
• Reviewed and approved over 90 Negotiated Service Agreements, an increase of more than 40% over the number in 2009;
• Conducted monthly consultation meetings with the Postal Service to ensure the continued development of service standards and service performance measurements for market dominant products as required by the PAEA;
• Conducted economic analyses of the market for postal services, the operational characteristics of the postal system and its interface with various segments of the economy and the costs of operating the Postal Service;
• Increased focus on modernization of information technology systems, including increased network security and stability (e.g. Continuity of Operations Plan upgrade, Dockets re-platform) and improved telecommunications;
• Developed a Grow your Own Workforce initiative, including an expanded internship program;
• Implemented a strategic focus on cost savings to maximize use of appropriated funds (e.g. an electronic procurement system and an improved contract for copier services);
• Reviewed and expanded the Flexible Work Program to include alternative work schedules and telework;
• Implemented a Health and Wellness program in accordance with Office of Management and Budget Memorandum M-10-19 of June 8, 2010;
• Increased the focus on modernization and update of Human Resources policies, procedures and process, including:
  o Initiating a review and update of all Human Resource policies;
  o Implementing electronic official personnel files;
  o Initiating the development of a strategic employee development program.
Budget Overview for Fiscal Year 2012

The Commission is confident that the requested resources of $14,450,000, (which is $117,000 and 0.81 % above the enacted 2010 budget levels) will allow it to meet its mission of ensuring transparency and accountability in postal operations, services and finances. Although workload is expected to increase beyond FY 2011 levels, we are committed to working within the proposed budget level.

The PAEA requires the Commission to execute a broad range of responsibilities relying on a staff with a unique mix of skills and abilities, and modern information technology systems to ensure enhanced communication with the public.

Efforts to establish a modern supporting information technology infrastructure are underway. These efforts will be completed over the next few fiscal years. Continued efforts are also underway to improve the Commission’s transparency through increased public meetings, expanded webcasts of Commission Meetings, Hearings and Technical Conferences, and the archiving of these audio files on our public website. These efforts are in conformance with the Open Government Directive issued by Office of Management and Budget Memorandum M-10-06 of December 8, 2009.

This request includes initiatives for employee wellness, succession planning, employee development, environmental stewardship, the advancement of women and girls, automation of human resources processing, accounting and budget and continued funding for the Office of Inspector General, as authorized by the PAEA.

In FY 2012, the Commission will be engaged in assessing the value of the universal service obligation to the nation and the Postal Service’s ability to continue to provide this service given revenue volume declines, as well as special studies requested by the Postal Service, Congress, and as a result of Commission initiated inquiries.

In FY 2012, the Commission will issue an Annual Compliance Determination report assessing the Postal Service’s compliance with the ratemaking regulations and applicable laws. In the report, the Commission will review and determine whether market dominant rates are within the CPI rate cap, and whether competitive products are subsidized by market dominant products, and that competitive products pay their attributable costs as well as appropriate share of fixed postal costs. The Commission will also issue an Annual Report and a new five-year Strategic Plan.

In FY 2012, the Commission will continue its active involvement in the Universal Postal Union (UPU), particularly in developing a modernized terminal dues system and promoting greater transparency and accountability. The Commission will continue to lead at a bilateral and multilateral level, including a fourth Postal Regulatory Dialogue in 2012. The Commission will also promote the U.S. Postal Regulatory model at international forums. In FY 2012, the Commission will work within the UPU framework to develop proposals to be adopted by the 2012 UPU Congress. The Commission will coordinate with the Department of State, Postal Service, and other government agencies to adopt these proposals at the October 2012 quadrennial UPU Congress.
The Commission’s FY 2012 Performance Budget Plan has five goals consisting of: (1) distinct systems of Modern Rate Regulations for Market Dominant and Competitive Products; (2) service and performance measurements of the Postal Service; (3) financial accountability and compliance; (4) program integration and support; and (5) the Office of the Inspector General. Within each of the five goals, the Commission has identified performance objective measures.

The Commission’s FY 2012 Performance Budget plan goals are aligned with its strategic goals:

- **Distinct Systems of Modern Rate Regulations for Market Dominant and Competitive Products**—Establish and maintain predictable, transparent, and efficient ratemaking systems;
- **Measure Service and Performance**—Ensure appropriate and transparent Postal Service measurements to promote an efficient, effective, and responsive mail service. Ensure accountability through a fair and open complaint process that provides for appropriate and effective remedies;
- **Financial Accountability and Compliance**—Provide accountability through transparent data reporting and review Postal Service compliance with appropriate accounting standards and financial reporting;
- **Integration and Support**—Regulate, evaluate, and report on Postal Service products and services. Maintain a visible and accessible Commission connected to all stakeholders assuring representation of the interests of the general public in proceedings before the Commission. Enhance a system that fosters recruitment, development, and retention of a skilled workforce based on merit. Provide the technology and infrastructure necessary to meet the needs of the Commission’s mandate; and
- **Office of the Inspector General**—The Office of Inspector General was established in June, 2007 as required by an amendment to the Inspector General Act of 1978 included in the Postal Accountability and Enhancement Act of 2006 (Pub. L. 109-435 sec. 605). The Inspector General will conduct independent and objective audits, internal investigations and inspections; prevent and detect waste, fraud and abuse; promote economy, effectiveness and efficiency; review pending legislation and regulations; and keep the Commission Chairman, Commissioners and Congress fully informed of Commission issues.
### Proposed Appropriation Worksheet

<table>
<thead>
<tr>
<th>Obligations by Program Activity ($’s in thousands)</th>
<th>FY 2010 Enacted</th>
<th>FY 2011 CR Annualized</th>
<th>FY 2012 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern Rate Regulation</td>
<td>2,626</td>
<td>18.3</td>
<td>2,626</td>
</tr>
<tr>
<td>USPS Service &amp; Performance</td>
<td>2,232</td>
<td>15.6</td>
<td>2,232</td>
</tr>
<tr>
<td>Financial Accountability &amp; Compliance</td>
<td>2,614</td>
<td>18.4</td>
<td>2,614</td>
</tr>
<tr>
<td>Integration and Support</td>
<td>6,394</td>
<td>18.7</td>
<td>6,394</td>
</tr>
<tr>
<td>Office of Inspector General*</td>
<td>467</td>
<td>3.0</td>
<td>467</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,333</td>
<td>74</td>
<td>14,333</td>
</tr>
</tbody>
</table>

*This is the full amount requested by the Inspector General to fund OIG personnel (including detailees), travel, and training.*
A summary of requirements is shown below:

### Summary Change to Object Class

($ in thousands)

<table>
<thead>
<tr>
<th>Total Direct Obligations</th>
<th>FY 2010 Enacted</th>
<th>FY 2011 CR Annualized</th>
<th>FY 2012 Estimated</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>14,333</td>
<td>14,333</td>
<td>14,450</td>
</tr>
</tbody>
</table>

The increases and/or decreases for FY 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net increases to FY 2012</strong></td>
<td>Personnel Compensation</td>
<td>9,948</td>
<td>10,047</td>
<td>10,528</td>
<td>580</td>
</tr>
<tr>
<td></td>
<td>Rent</td>
<td>1,657</td>
<td>1,741</td>
<td>1,884</td>
<td>227</td>
</tr>
<tr>
<td></td>
<td>Commission Relocation (Lease termination)</td>
<td>483</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>Contractual services</td>
<td>321</td>
<td>325</td>
<td>400</td>
<td>79</td>
</tr>
<tr>
<td></td>
<td>Printing and reproduction</td>
<td>85</td>
<td>90</td>
<td>95</td>
<td>10</td>
</tr>
<tr>
<td><strong>Subtotal - Increases to FY 2010 enacted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,003</strong></td>
</tr>
</tbody>
</table>

| **Net decreases to FY 2010 enacted level** | Other Personnel Compensation | 102 | 100 | 100 | -2 |
|                                            | Supplies                  | 232 | 230 | 230 | -2 |
|                                            | Miscellaneous, subscriptions | 15   | 10  | 10  | -5 |
|                                            | Training                  | 40  | 26  | 26  | -14 |
|                                            | Office equipment rental and repair | 25   | 10  | 10  | -15 |
|                                            | International Policy Development | 75    | 50  | 50  | -25 |
|                                            | Travel                    | 160 | 128 | 122 | -38 |
|                                            | Information technology    | 202 | 100 | 100 | -102 |
|                                            | Office furniture and equipment | 150  | 10  | 10  | -140 |
|                                            | Consulting services       | 1,238 | 900 | 695 | -543 |
| **Subtotal - Net decreases to FY 2010 enacted** | | | | | -886 |
| **Total - Net difference to FY 2010 enacted** | | | | | **117** |
**Proposed Appropriations Language**

Postal Regulatory Commission

**Salaries and Expenses**

(including transfer of funds)

For necessary expenses of the Postal Regulatory Commission in carrying out the provisions of the Postal Accountability and Enhancement Act (Public Law 109-435), $14,450,000, to be derived by transfer from the Postal Service Fund and expended as authorized by section 603(a) of such Act: Provided, That unobligated balances remaining in this account on October 1, 2012 shall be transferred back to the Postal Service Fund.
## Object Class Break-out

($'s in thousands)

<table>
<thead>
<tr>
<th>Object Classification</th>
<th>FY 2010 Enacted</th>
<th>FY 2011 CR Annualized</th>
<th>FY 2012 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 Personnel Compensation</td>
<td>9,948</td>
<td>10,047</td>
<td>10,528</td>
</tr>
<tr>
<td>11.5 Other Personnel Compensation</td>
<td>102</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>99.0 Subtotal</strong></td>
<td><strong>10,050</strong></td>
<td><strong>10,147</strong></td>
<td><strong>10,628</strong></td>
</tr>
<tr>
<td>26.0 Supplies</td>
<td>232</td>
<td>230</td>
<td>230</td>
</tr>
<tr>
<td>31.0 Office furniture and equipment</td>
<td>150</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>25.7 Office equipment rental and repair</td>
<td>25</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>25.2 Contractual services</td>
<td>321</td>
<td>325</td>
<td>400</td>
</tr>
<tr>
<td>25.6 Medical services</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>25.1 Consulting services</td>
<td>1,238</td>
<td>900</td>
<td>695</td>
</tr>
<tr>
<td>23.3 Advertising</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>99.0 Subtotal</strong></td>
<td><strong>1,979</strong></td>
<td><strong>1,488</strong></td>
<td><strong>1,358</strong></td>
</tr>
<tr>
<td>21.0 Travel</td>
<td>160</td>
<td>128</td>
<td>122</td>
</tr>
<tr>
<td>25.1 Training</td>
<td>40</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>24.0 Printing and reproduction</td>
<td>85</td>
<td>90</td>
<td>95</td>
</tr>
<tr>
<td>21.0 International Policy Development</td>
<td>75</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>23.2 Rent</td>
<td>1,657</td>
<td>1,741</td>
<td>1,884</td>
</tr>
<tr>
<td>25.4 Commission Relocation (Lease termination)</td>
<td>483</td>
<td></td>
<td>107</td>
</tr>
<tr>
<td>25.2 Miscellaneous, subscriptions</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>23.3 Communications</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>23.3 Information technology</td>
<td>202</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>99.0 Subtotal</strong></td>
<td><strong>2,304</strong></td>
<td><strong>2,698</strong></td>
<td><strong>2,464</strong></td>
</tr>
<tr>
<td><strong>99.9 Total</strong></td>
<td><strong>14,333</strong></td>
<td><strong>14,333</strong></td>
<td><strong>14,450</strong></td>
</tr>
</tbody>
</table>
The Commission’s FY 2012 Budget request funds only high-priority or statutorily required activities. Since the enactment of the PAEA, the agency has experienced a continually expanding workload. In 2010, the number of dockets, cases, hearings and public complaints and inquiries increased by approximately 25% over 2009. Several major statutory requirements are due in 2012, and several major postal proposals for operational changes and legislative changes to be considered in 2011 will undoubtedly impact the Commission’s workload in 2012. Further, much of the Commission’s normal procedural work is caused by the actions of the Postal Service and, to a lesser degree, cases filed by the public or interested parties. This limits our ability to ensure that our small staff will be adequate to respond to the needs of the public. We anticipate that the historic trend of increased workload will continue through 2012.

Below are some of the required studies that the Commission is mandated to perform under the PAEA during 2012:

- Annual Compliance Determination;
- Annual Report;
- Five-year review of contribution share of Competitive Products;
- Five-year review of PAEA with recommendations for improvements;
- Consult with the Government Accountability Office as they prepare their five-year report on the Postal Service business model;
- In FY 2010, the Postal Service began implementing section 404 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7262). The Commission retains the services of a consulting firm that specializes in Sarbanes-Oxley issues in order to review implementation annually;
- Re-examination of the Universal Service Obligation.
**Highlights of the Fiscal Year 2012 Request**

- This request of $14,450,000 will allow the Commission to conduct statutorily mandated financial reviews and special studies of the Postal Service reports on costs; revenues; rates; and services to ensure the applicable methodologies as prescribed by regulations are in compliance;

- This request will allow the Commission to conduct statutorily mandated financial reviews of the Postal Service compliance report with Section 404 of the Sarbanes-Oxley Act;

- This request will allow the Commission to complete required review of possible legislative recommendations to improve the PAEA;

- This request will allow the Commission to follow the Office of Management and Budget guidance (Memorandum M-10-19 of June 8, 2010) concerning information technology infrastructure and cyber security initiatives, including:
  - Upgrade of the Commission’s Content Management System to allow us to revise and update our website to provide more transparency and to respond to an exponential increase in public visits to the site;
  - Redesign of our twelve-year-old Docket system for greater ease of use and improved document management by capturing the existing paper trail electronically, associating each document with a specific event, and creating a searchable database and more efficient management of protected materials;
  - Continue work on our Continuity of Operations Plan, to ensure Commission operations in the event there is a loss of service or access to our offices.

- This request will provide resources to begin strategic planning for the Federal Cloud Computing Initiative and compliance with other Federal Information Technology initiatives - i.e. Trusted Internet Connections (TIC).

- This request will allow the Commission to continue its longstanding practice of greater transparency, as required by the Open Government Directive (Office of Management and Budget Memorandum M-10-06 of December 8, 2009), by increasing the quality of access to public hearings, enabling webcasting, holding field hearings where needed and responding to a high level of service inquiries;

- This budget request will allow the Commission to carry out its responsibilities related to international postal service. The Commission will support the Department of State through participation in the Universal Postal Union (UPU) quadrennial Congress and in meetings at UPU Headquarters and with other regional organizations. The Commission will serve on the Postal Operational Council and Council of Administration of the UPU and continue to lead the Postal Regulators Dialogue;

- This budget request provides an opportunity for the Commission to continue to conduct an ongoing review and special studies of the universal service obligation and the postal monopolies.
• This request will allow the Commission to implement effective and efficient Human Capital initiatives, in line with Office of Management and Budget guidance provided in Memorandum M-10-19 of June 8, 2010. These include the following action items from the Federal Employee Viewpoint Survey:
  o Implement an Employee Wellness program expanding upon efforts in 2011 to increase the effectiveness of this program;
  o Expand on employee development initiatives including internship and grow your workforce programs, succession planning, and upward mobility programs for women and girls in support of the objectives of the White House Council on Women and Girls;
  o Continue efforts in the area of environmental stewardship including increased emphasis on the Administration’s initiatives concerning Telework and Public Transit.
• This request will also allow the Commission to modernize and improve our acquisition procedures, following Office of Management and Budget guidance provided in Memorandum M-10-19 of June 8, 2010, by continuing the electronic record-keeping, purchasing and accounting system improvements.
Strategic Goal 1: Distinct Systems of Modern Rate Regulations for Market Dominant and Competitive Products

Establish and maintain predictable, transparent, and efficient ratemaking systems. The system will achieve the following objectives: maximize incentives to reduce costs and increase efficiency; create predictability and stability in rates; maintain high quality service standards; allow the Postal Service pricing flexibility; ensure adequate revenues to include retaining earnings to maintain financial stability; reduce the administrative burden and increase the transparency of the ratemaking process; enhance mail security and deter terrorism; establish and maintain a just and reasonable schedule for rates and classifications; and allocate the total institutional costs of the Postal Service appropriately between market-dominant and competitive products.

Performance Objectives:

1.1 Maintain predictable, transparent, and efficient ratemaking system.

1.2 Reduce the administrative burden and increase the transparency of the ratemaking process.

1.3 Establish and maintain a just and reasonable schedule for rates and classifications.

1.4 Appoint a staff member of the Commission to represent the interests of the general public in all proceedings before the Commission.

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Proposed 2012 Work Plan:

1.1 Maintain predictable, transparent and efficient ratemaking system.
The Commission will continue to monitor the regulations to ensure the objectives of predictability and stability of rates are met as outlined in the PAEA.

The Commission will continue to monitor and evaluate Postal Service notices of rate change to ensure the rates are within the CPI cap.

1.2 Reduce the administrative burden and increase the transparency of the ratemaking process.

The Commission will continue to evaluate and adjust oversight decisions in order to increase transparency while streamlining procedures.

1.3 Establish and maintain a just and reasonable schedule for rates and classifications.

The Commission will issue an Annual Compliance Report that includes determination of whether or not any rates or fees in effect during the fiscal year were out of compliance with applicable provisions of the regulations. The Commission will measure success by improving the scope and depth of analyses in the Annual Compliance Report.

1.4 Establish and maintain an efficient and accountable system providing for representation of the interests of the general public.

The Commission will assign individuals from among its professional staff for each and every docket filed. The Commission will measure success by appointing a Public Representative within three business days of filing.
**Strategic Goal 2: Measure USPS Service and Performance**

Ensure appropriate and transparent Postal Service measurements to promote an efficient, effective, and responsive mail service. Ensure accountability through a fair and open complaint process that provides for appropriate and effective remedies.

**Performance Objectives:**

1. Establish and maintain rules, regulations, and procedures for a formal complaint system.
2. Establish and maintain rules, regulations, and procedures for sensitive documents required by annual reports or obtained via subpoena authority.
3. Continues to review recommendations from the universal postal service and the postal monopoly report and to review legislative adjustments to the PAEA.
4. Promote greater transparency and accountability for postal services around the globe and ensure a level playing field with private competitors.

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**Proposed 2012 Work Plan:**

1. Establish and maintain rules, regulations, and procedures for a formal complaint system.

The Commission will continue to monitor rules, regulations, and procedures for a formal complaint system (39 CFR 3001.81) to ensure appropriate and effective remedies are applied.

The Commission will continue to undertake the handling of formal and informal complaints providing transparency of the results and/or actions.
The Commission will issue an Annual Compliance Report that includes determinations of whether or not applicable provisions of the regulations and/or any service resulted in a complaint.

The Commission will measure success by:
- Issuing notice of all requests within three business days, barring exceptional circumstances.
- Increasing the number of strategic rulemakings, studies and reports.
- Respond to public inquiries within 72 hours, barring exceptional circumstances.

2.2 Establish and maintain rules, regulations, and procedures for sensitive documents required by annual reports or obtained via subpoena authority.

The Commission will continue to monitor and adopt any needed changes to the rules, regulations, and procedures for sensitive documents required by annual reports or the use of subpoena authority.

The Commission will continue to monitor the process for receiving sensitive documents to ensure compliance with regulations and privacy stipulations.

2.3 Complete a comprehensive review of universal postal service and the postal monopoly.

The Commission will continue to monitor and study the findings and recommendations of the Report, specifically on the financial impact of reducing mail delivery to five days a week and changes to post office operations.

2.4 Promote greater transparency and accountability for postal services around the globe and ensure a level playing field with private competitors.

The Commission will support Department of State through participation in the Universal Postal Union (UPU) at UPU Headquarters and through other regional organizations such as the Postal Union of the Americas, Spain, Portugal and Caribbean Postal Union. This request will allow the Commission to serve actively on the Postal Operational Council and Council of Administration of the UPU.
Strategic Goal 3: Financial Accountability and Compliance

Provide accountability through transparent data reporting and review. Economists analyze complex economic, cost, and financial data and evaluate the data by exploring, identifying, and addressing complex and controversial issues dealing with elasticity of demand, with tax computations and transfer requirements. The Commission will conduct ongoing analyses of Postal Service performance in the area of productivity and operations. Provide expert advice on matters pertaining to Postal regulatory policies, including:

- Detailed statistical studies and survey data;
- Database of service units compiled for specific operations;
- Operational cost models;
- Quantitative and qualitative reports, studies, and surveys outlining the degree of market price and service competition; and
- Other economic evidence and argument pertaining to market power, competitive access, or potential anti-competitive impacts and effects.

Performance Objectives:

3.1 Conduct a financial review of the Postal Service’s reporting on costs, revenues, rates, and services to ensure the applicable methodologies as prescribed by regulations.

3.2 Conduct a financial review of the Postal Service’s report for each fiscal quarter as required by the Sarbanes-Oxley Act.

3.3 Monitor accounting practices and principles for the Postal Service through substantive and procedural rules for the assumed income tax for competitive mail products, as required by the PAEA.

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Proposed 2012 Work Plan:

3.1 **Conduct a financial review of the Postal Service’s report on costs, revenues, rates, and services to ensure the applicable methodologies as prescribe by regulations.**

The Commission will conduct a review of the data received and issue a determination in the Compliance Report by the end of the second quarter.

To ensure the applicable methodologies are applied as outlined in the regulations, the Commission will continue to monitor financial data on a monthly basis and conduct studies as appropriate.

3.2 **Conduct a financial review of the Postal Service’s report for each fiscal quarter as required by the Sarbanes-Oxley Act.**

The Commission will continue to review the data collection criteria. The Commission will continue to monitor and evaluate the Postal Service’s data for compliance with section 404 of the Sarbanes Oxley Act, as required by the PAEA.

3.3 **Monitor accounting practices and principles for the Postal Service through substantive and procedural rules for the assumed income tax for competitive mail products, as required by PAEA.**

The Commission will continue to monitor and evaluate the Postal Service’s accounting practices and principles as it relates to the regulations for assumed income tax for competitive mail products, as required by the PAEA.
**Strategic Goal 4: Integration and Support**

In seeking to fulfill its mission, substantial portions of the Commission’s resources are devoted to daily oversight, communication, and transparency with stakeholders through its Filing-Online system. The Commission will continue initiatives to modernize and ensure the security of the Commission’s information technology systems. With the passage of the PAEA, the Commission conducted a comprehensive review resulting in recommendation to modernize existing database information; to establish a tracking system for informal consumer inquiries; to redesign the Dockets database and to continue to monitor and enhance security of all information systems.

In addition, this goal allows the Commission to maintain a visible and accessible presence connected to all stakeholders and ensures that the voice of the general public is heard in proceedings before the Commission.

**Performance Objectives:**

4.1 Effectively use information technology to enhance organizational performance and efficiency and provide appropriate access to and the dissemination of Postal Regulatory Commission information.

4.2 Effectively and efficiently operate financial, budget, and other support programs.

4.3 Attract, develop, and retain a highly skilled, diverse, and motivated workforce.

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**Proposed 2012 Work Plan:**

4.1 Effectively use information technology to enhance organizational performance and efficiency and provide appropriate access to and the dissemination of Postal Regulatory Commission information.

The Commission will continue to develop and implement the remodeling of the internal databases and its supporting infrastructure with systemic changes to the enterprise architecture to improve overall operations and security.
The Commission will strategically plan to ensure compliance with Information Technology requirements and initiatives.

The Commission will continue to monitor the tracking system of consumer information inquiries.

The Commission will develop and deploy a search engine for our website to provide enhanced access to Commission documents.

The Commission will measure success by:

- Decreasing the number of system outages from the current performance baseline.
- Decreasing the Dockets system error rate, as measured the number of errors per Dockets processed.

4.2 Effectively and efficiently operate financial, budget, and other support programs.

The Commission will continue to comply with the Federal Information Security Management Act and other regulatory requirements.

The Commission will continue to implement the business enterprise architecture plans.

4.3 Attract, develop, and retain a highly skilled, diverse, motivated workforce.

In accordance with Office of Personnel Management guidance, the Commission will continue to evaluate the performance of staff in meeting the duties and responsibilities of the agency. The Federal Employee Viewpoint Survey (FEVS) Action Plan incorporates a strengthened performance management process with the implementation of a succession planning/leadership development program to address the issues raised in the FEVS. Additionally, this program will incorporate the Women and Girls and employee engagement initiatives in accordance with Office of Management and Budget guidance.

The Commission will measure success by:

- Improving the hiring process by decreasing the number of days elapsed from posting an approved vacancy announcement to filling the position.
- Improving staff effectiveness over the current baseline as measured by skills assessment.
- Ensuring the metrics in the FEVS Action Plan are met.
Strategic Goal 5: Office of the Inspector General

Conduct independent and objective audits, investigation and inspections in support of the Postal Regulatory Commission’s overall strategic goals and to prevent and detect waste, fraud and abuse.

Performance Objectives:

5.1 Conduct audits and evaluations in support of the Postal Regulatory Commission’s Program Integration and Support activities, including information technology management, financial management and human capital management.

5.2 Prevent and detect waste, fraud and abuse.

5.3 Review existing and proposed regulations and legislation for impact on the economy and efficiency of the Postal Regulatory Commission’s programs.

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Proposed 2012 Work Plan:

5.1 Conduct audits and evaluations in support of the Postal Regulatory Commission’s Program Integration and Support activities, including information technology management, financial management and human capital management.

Continue to monitor and audit Program Integration and Support activities as needed, and to review proposed internal policy changes.

Continue to improve effectiveness of reporting under the Federal Information Security Management Act along with any other mandated reports.
5.2 Prevent and detect waste, fraud and abuse.

Continue to maintain hotline and to investigate all allegations of misconduct in a timely manner.

5.3 Review existing and proposed regulations and legislation for impact on the economy and efficiency of the Postal Regulatory Commission’s programs.

Begin appropriate post-implementation review of regulations implementing the Postal Accountability and Enhancement Act of 2006, as specified in the statute.