



# **Postal Regulatory Commission**

## **Congressional Budget Justification (Performance Budget Plan)**

**Fiscal Year 2014**

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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 to strengthen 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. 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.

Over the last several years the Commission has experienced an extremely heavy, complex and increasing workload because of the significant financial difficulties being experienced by the Postal Service. To ameliorate the large financial losses being experienced, the Postal Service has proposed a wide range of initiatives that would significantly affect operations and service to the public. These proposals have greatly increased regulatory activity by the Commission. Since FY 2009 the Commission's active docketed cases have increased more than 130%. The complexity and number of these cases, particularly those related to nature of service, has also increased, resulting in an unprecedented workload that has required expanding staff hours to produce the required analysis in a timely manner. This workload, which we anticipate to continue through at least FY 2014, has put a heavy strain on the professional staff.

A review of our personnel compensation indicates that staff salaries have been somewhat below that of comparable agencies. Nonetheless, the Commission has been successful in attracting and retaining the highly competent and dedicated professional staff needed to meet the demands of the Commission's workload. Recently, however, the level of attrition has begun to rise at the same time the workload is increasing. Attrition is manifested in several ways, including most notably, a growing number of retirements and the loss of employees to other federal agencies. Given the projected increase in the Commission's workload, we expect this trend to continue.

In anticipation of the burgeoning workload, administrative measures were implemented starting in 2009 to improve efficiency and productivity and to streamline processes to reduce costs. As a result of these actions, the Commission has been able to work within a funding level that has remained constant for five years while accommodating the increased cost of personnel benefits, other operating costs such as rent, and modernization and maintenance of the docketing system.

The Commission can no longer adequately deal with the workload being experienced without an increase in professional staff. The Commission is therefore requesting a budget of \$14,304,000 which will provide a modest increase of two FTE's and further improvement of our electronic docketing system. We will do this within a sustained funding level from FY 2012 by continuing to restructure our workforce as older, more highly compensated, staff members leave. This request is designed to preserve the Commission's capacity to meet our statutory obligations, including timely responses to a growing number of Postal Service proposals.

The Commission recognizes that its funding through the Postal Fund comes directly from the postal rates and fees paid by postal customers. The PAEA seeks to ensure the Commission's independence by authorizing the submission of its budget request to Congress separate from the Postal Service.

## Mission

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

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## Guiding Principles

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

- Openness
  - Public participation
- Integrity
  - Fairness and impartiality
  - Timely and rigorous analysis
- Merit
  - Commitment to excellence
  - Collegiality and multi-disciplinary approaches
- Adaptability
  - Proactive response to the rapidly changing postal environment

## Background

The Commission is an independent establishment of the Executive Branch, composed of five Commissioners, each appointed by the President, with the advice and 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 agency. 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 36 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.

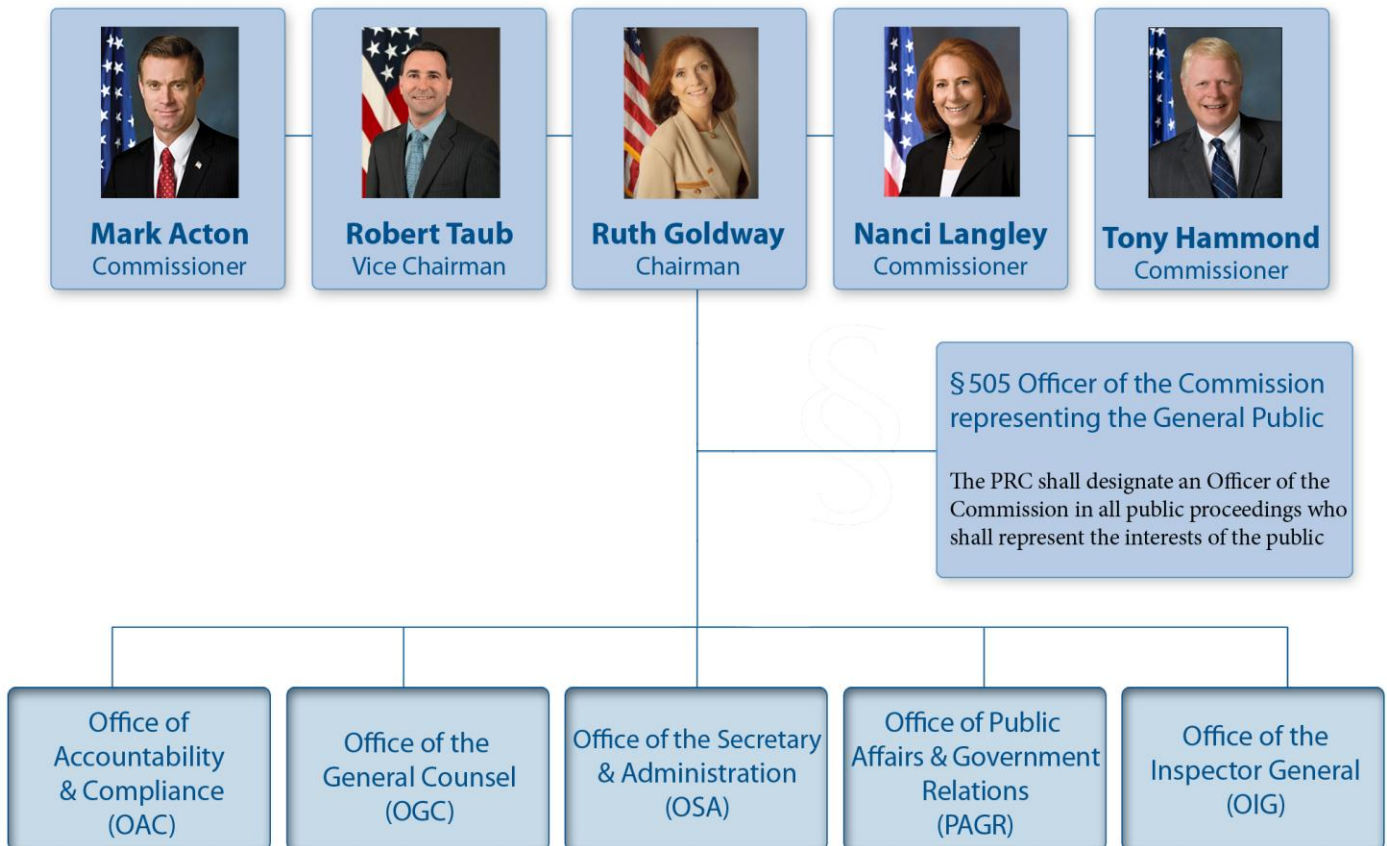
The Postal Accountability and Enhancement Act (PAEA), enacted on December 20, 2006, produced the most significant changes in the regulatory landscape for the U.S. Postal Service and the U.S. postal system since 1970. The Act is founded on the principles of flexibility, transparency, accountability and 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.

Under the PAEA, the Commission has responsibility for hearing appeals of determinations by the Postal Service to close or consolidate post offices. The Commission may affirm the Postal Service's determination or order that the entire matter be returned to the Postal Service for further consideration. The Commission is required to set aside such determinations found to be: (a) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law; (b) without observance of procedure required by law; or (c) unsupported by substantial evidence on the record.

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 pertaining to 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.

## Postal Regulatory Commission Organization



## **Postal Regulatory Commission Achievements in Fiscal Year 2012**

Fiscal Year 2012 was a demanding year for the Commission with over 347 docketed cases. Many of these cases were extremely complex and involved high visibility policy decisions.

The Commission received testimony, held hearings and issued Advisory Opinions on the Postal Service's proposals to:

- Reduce the retail network.
- Reduce operating hours of the retail network.
- Adjust service levels and reconfigure the network of mail processing facilities.

In response to the proposed post office closings, many postal customers invoked their statutory right to appeal. As a result, the Commission received a dramatic increase in the number of these appeals. The Commission decided on almost 200 post office closing appeals, all within the statutory deadlines. To accommodate the procedural concerns of postal customers, the Commission issued simplified and modernized Rules for Post Office Closing Appeals.

The Commission also responded to 5,557 inquiries from the public. This volume is expected to remain high due to the impact of the proposed changes in service by the Postal Service. The Commission published its Annual Compliance Determination and its Annual Report, as well as a joint report with the Postal Service on periodicals costs as required under Section 708 of the PAEA.

The Commission considered 11 price adjustment requests by the Postal Service for Market Dominant and Competitive products. The Commission reviewed and approved the transfer of several products from the Market Dominant to the Competitive Products List, including Parcel Post, Single Piece First-Class International Packages and certain Post Office Boxes. The Commission reviewed and issued a decision on 23 Postal Service proposals to revise its costing methodologies, and approved 60 Negotiated Service Agreements between the Postal Service and mailers.

The Commission had under review four complaint cases. The PAEA gives the Commission enhanced authority to respond to complaints regarding pricing, service, or other actions by the Postal Service alleged to be in violation of the law. These are generally complex matters requiring considerable investigation and review.



In the international policy arena the Commission:

- Fulfilled its responsibility under Section 407(c)(1) of the PAEA to provide the Department of State with the Commission's views on whether proposals under consideration at the fall 2011 Universal Postal Union (UPU) Congress that established rates and classifications for market dominant products were consistent with Section 3622 of the PAEA.
- Supported the Department of State on regulatory issues as part of an interagency delegation to the UPU including chairing a project group on regulatory issues.
- Worked with the Postal Service through the UPU to negotiate rates for letter post, registered mail, and parcels among 192 member countries that should ensure appropriate cost coverage for the Postal Service.
- Strengthened opportunities for information sharing with foreign postal regulators through the 2012 Postal Regulatory Dialogue and bilateral meetings with regulators from China, Russia and Macedonia.
- Participated in the Federal Advisory Committee on International Postal and Delivery Services to consider private sector input on international postal policy.

The Commission continued its commitment to transparency through our Freedom of Information Act (FOIA) program, and received the highest rating from the Department of Justice. We ended the year with no backlog in FOIA requests. The Commission made substantial progress in the update of its Records Management program, including drafting a revised Records Schedule and completion of a Records Management evaluation.

The Commission made improvements to its Dockets infrastructure to facilitate public access and ease of use and to maintain the integrity of Commission records. We also updated our physical network and our essential network systems applications and software to ensure security and stability of the Information Technology (IT) infrastructure as well as employee productivity. The Commission revised its website to include expanded information on the Public Representative program, thus continuing our commitment to openness and transparency. As part of our mission of ensuring transparency, accountability and openness, the Commission provides live broadcasts of hearings, technical conferences and public meetings and archives these broadcasts to our public website.

The Commission had the third highest response rate among small agencies for the Federal Employee Viewpoint Survey, and was ranked the eighth best very small agency to work for in the federal government. The Commission completed its five-year Human Capital Plan and partnered with the Office of Personnel Management (OPM) on activities to improve employee engagement. The Commission strengthened its internal audit program to ensure compliance with policies and procedures.

## **Budget Overview and Highlights for Fiscal Year 2014**

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.

Over the last several years the Commission has accommodated an increasingly heavy and complex workload, as well as higher operating costs, within funding levels that have remained constant. We have achieved this in part by working within our Performance Budget Plan and by complying with the spirit of the President's December 22, 2010 Executive Order to freeze federal salaries through CY 2012 and subsequent guidance for Congress to maintain current pay rates through FY 2013. The Commission also followed the spirit of the OPM "Guidance on Awards for Fiscal Years 2011 and 2012."

This situation has strained the professional staff and we are beginning to experience significant attrition rates. It is not possible to deal with these workload demands by relying on temporary personnel and new staff still on the steep learning curve necessary to master this highly technical work. We are requesting a modest increase of two FTE's within a sustained level from FY 2012. As we continue to attrit experienced, more highly compensated staff, our base salaries will decline, making this growth in FTE's possible within the requested funding level.

The Postal Service's efforts to adjust to national changes in mail usage will require the Commission to hear cases of major national policy import. The Commission will review further Postal Service efforts to rightsize its network and will provide oversight as the Postal Service tries to make greater use of its pricing flexibility under the PAEA. The Commission expects to apply substantial resources to measure the impact of changes implemented by the Postal Service and to fully evaluate and respond to new ideas that may result in Postal Service innovative products and services, greater efficiencies, and cost savings.

While the Postal Service no longer intends to close the same number of post offices as originally proposed, it will be implementing changes to operating hours and mail delivery service in 13,000 post offices along with a significant contraction of the mail processing infrastructure. Additionally, we expect the Postal Service to propose the introduction of new products, services and Negotiated Service Agreements to generate additional revenue to compensate, in some measure, for the decline in First-Class Mail. The Commission must review these initiatives and service agreements to ensure a predictable, transparent and effective system of rate and product regulation that complies with the law. Inevitably, a high volume of dockets is expected to continue.

As in previous years, 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 undertake special studies requested by the Postal Service, Congress, or as needed to complete its statutory responsibilities.

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 work through an interagency process led by the Department of State to review and negotiate proposals for adoption at the UPU; provide continued leadership at the bilateral and multilateral level; and promote the exchange of information and best practices on postal regulation among postal regulators around the globe.

Progress will continue in developing a modern supporting infrastructure. The Commission will continue to transition to eRecords, digitizing all original records for greater security, ease of transfer and better public accessibility.

The Commission will continue to invest in IT that will ensure the security and stability of our key applications and infrastructure. In FY 2014, our primary focus will revolve around the support and maintenance for Commission dockets. We will also focus on those systems and applications that facilitate transparency and public access and that directly impact the productivity and efficiency of the staff. Requests for Advisory Opinions by the Postal Service have necessitated an increase in the use of complex analytic programs such as Statistical Analysis System and IBM LogicNet, resulting in an increase in costs for licenses, training and technical support.

Our budget also includes an increase of \$81,000 for our Office of Inspector General. This is the full amount of increase requested by the Inspector General. The Postal Regulatory Commission's 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 (Public Law 109-435 sec. 605).

## Budget Program Information

The Commission's FY 2014 Performance Budget Plan has four programs consisting of: (1) Postal Service Accountability; (2) Public Access and Participation; (3) Integration and Support; and (4) the Office of the Inspector General. These programs are aligned with the goals contained in the Commission's Strategic Plan for FY 2013 – FY 2017.

Program	FY 2012		FY 2013		FY 2014	
	\$000	FTE	\$000	FTE	\$000	FTE
Postal Service Accountability	3,670	26	3,711	26	3,634	27
Public Access & Participation	4,517	32	4,568	32	4,442	33
Integration and Support	5,622	14	5,501	14	5,652	14
Office of Inspector General	495	3	495	3	576*	3
<b>Total</b>	<b>14,304</b>	<b>75</b>	<b>14,275</b>	<b>75</b>	<b>14,304</b>	<b>77</b>

\*This is the full amount requested by the Inspector General to fund OIG personnel (including detailees), travel, training, and Council of the Inspectors General on Integrity and Efficiency (CIGIE) dues.

**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), \$14,304,000, 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, 2014 shall be transferred back to the Postal Service Fund.*

**Obligation by Object Classification**

<b>OBJECT CLASSIFICATION</b>	<b>FY 2012 \$000</b>	<b>FY 2013 \$000</b>	<b>FY 2014 \$000</b>
Personnel Compensation	10,481	10,606	10,626
Other Personnel Compensation	105	106	106
<b>Subtotal</b>	<b>10,586</b>	<b>10,712</b>	<b>10,732</b>
Supplies	230	220	220
Office furniture and equipment	10	10	10
Office equipment rental and repair	10	10	10
Contractual services	325	325	325
Medical services	8	8	8
Consulting services	1,027	856	856
Advertising	5	5	5
<b>Subtotal</b>	<b>1,615</b>	<b>1,434</b>	<b>1,434</b>
Travel	110	100	82
Training	26	25	25
Printing and reproduction	105	105	105
International Policy Development	75	65	65
Rent	1,607	1,644	1,681
Miscellaneous, subscriptions	10	10	10
Communications	70	70	70
Information technology	100	110	100
<b>Subtotal</b>	<b>2,103</b>	<b>2,129</b>	<b>2,138</b>
<b>Total Obligations</b>	<b>14,304</b>	<b>14,275</b>	<b>14,304</b>

## Summary of Strategic Goals, Work Plans and Performance Objectives

### **Strategic Goal 1: Postal Service Accountability Performance Objectives**

#### **A. Financial Accountability and Compliance:**

Ensure transparent, accurate and informative Postal Service reporting sufficient for evaluation of lawful compliance financial performance.

##### **FY 2014 Work Plan:**

1. Review and evaluate Postal Service financial data.
2. Analyze annual compliance reports from the Postal Service, determine Postal Service compliance and report findings through an Annual Compliance Determination Report.
3. Enforce compliance determinations.
4. Review and evaluate Postal Service international data and proposals for the UPU.

The Commission will measure success by the timeliness, thoroughness and accuracy of products.

#### **B. Service Performance Evaluation:**

Ensure appropriate and transparent Postal Service performance standards and measurements to promote an efficient, effective, and responsive mail service.

##### **FY 2014 Work Plan:**

1. Execute a visible and effective advisory role in regard to Postal Service proposals for changes in the nature of U.S. postal services. Issue special reports on evaluation of potential policy and systemic changes.
2. On an annual basis, evaluate compliance with standards for service performance (39 U.S.C. § 3653); continue to evaluate the extent to which the Postal Service must use an external versus an internal measurement system.
3. Consult on, revise, and augment performance standards and goals for market-dominant products.

The Commission will measure success by the timeliness, thoroughness and accuracy of products.

## **C. Modern Product Regulation:**

Maintain and improve a predictable, transparent and effective system of rate and product regulation.

### **FY 2014 Work Plan:**

1. Refine and augment the modern system for regulating rates and classes for market-dominant products.
2. Assess and refine the rules, regulations, and systems established for the publication of relevant Postal Service data.
3. Review and evaluate Postal Service proposals to move products between market-dominant and competitive product classifications.
4. Review, analyze, and evaluate work-share discounts, negotiated service agreements, and market tests. Issue timely, accurate reports and findings on these reviews.

The Commission will measure success by the timeliness, thoroughness and accuracy of products.

## **Strategic Goal 2: Public Access to Information and Participation Performance Objectives**

### **A. Public Participation and Government Relations:**

Ensure the Commission is visible and readily accessible to all.

### **FY 2014 Work Plan:**

1. Maintain and implement a comprehensive strategy for outreach to the public and media. Implement consistent messaging, updating, and branding for public documents and the Commission's website.
2. Continue to enhance government relations through proactive outreach and relationship building with Congress, the Executive branch, Federal, State, and local governments.
3. Maintain a timely system to track, analyze, and respond to public and consumer inquiries and correspondence, including informal complaints.

The Commission will measure success by responding to public inquiries within 72 hours, barring exceptional circumstances.



## **B. Appeal and Complaint Process:**

Ensure Postal Service accountability through fair and open appeal and public complaint processes that provide appropriate and timely resolution.

### **FY 2014 Work Plan:**

1. Consistently implement a transparent and equitable formal complaint system that provides timely and proper due process to complainants and the Postal Service.
2. Develop procedures and resources for handling an expanding numbers of appeals and complaint cases, such as from post office closings.
3. Identify patterns in appeals and complaints and order appropriate remedies to achieve compliance.

The Commission will measure success by:

- Percentage of post office appeals resolved within 120 days.
- Percentage of formal complaints in which affirmative action was taken within 90 days.
- Percentage of rate and service inquiries in which responsive information is obtained within 60 days.
- Review and update as necessary procedures for appeals and complaints at least every 5 years.

## **C. Representation of the Public in Commission Proceedings:**

Assure informed and responsive representation of the interests of the general public in all Commission proceedings. *See* 39 U.S.C. Section 505.

### **FY 2014 Work Plan:**

1. Conduct public outreach through traditional media, technology tools, and other methods to assure wide public notice of all Commission proceedings.
2. Review and simplify processes through which members of the public may provide their input to the Commission's decision-making processes.
3. Review and improve program to enhance performance of those appointed to represent the interests of the general public in Commission proceedings.

The Commission will measure success by:

- The quality and timeliness of Public Representative filings.
- Review and update the public representative handbook at least every 3 years.
- The number of processes identified for improvement by more than 10 written or electronic pieces of public correspondence.

### **Strategic Goal 3: Infrastructure to Meet Mission Performance Objectives**

#### **A. Human Capital:**

Enhance a system that fosters recruitment, development and retention of a talented, skilled and adaptable workforce.

#### **FY 2014 Work Plan:**

1. Continue to update the Human Capital Plan, including a succession plan, to ensure alignment of the workforce and work environment with the Commission's mission. Monitor results of the Federal Employee Viewpoint survey, and implement solutions to achieve continuous improvement.
2. Implement a performance management system that rewards outstanding contributions to the Commission, retains high performing staff, and addresses developmental needs of the Commission's workforce.
3. Identify and sponsor training and development opportunities to enhance the skills of employees in targeted competencies, including IT training and certification.
4. Maintain and enforce up-to-date human resources policies and procedures (e.g., compensation, benefits, Equal Employment Opportunity) to ensure fair, consistent and sustainable application.

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.
- Ensuring the metrics in the FEVS Action Plan are met.

## **B. Program Integration and Support:**

Adapt to the latest technology, operational systems and organizational infrastructure in achieving Commission goals.

### **FY 2014 Work Plan:**

1. Ensure equipment and facilities are adequate, safe and secure.
2. Ensure that records are maintained in accordance with applicable policies and procedures.
3. Ensure that correspondence processes and procedures are up to date.
4. Develop and maintain the annual budget, fiscal policies, and financial controls based on Administration guidance (e.g. Executive Orders) and standard U.S. Government requirements.
5. Create an Enterprise Architecture, continue to improve Document Management and Tracking System, and enforce up to date IT security requirements.
6. Ensure that the Commission completes all required reports and Freedom of Information Act requests.

The Commission will measure success by:

- Decreasing the number of system outages from baseline year of 2012.
- Timeliness of reports and internal audits.
- Efficiency of resource utilization within the appropriated budget.

## **Strategic Goal 4: Office of the Inspector General Performance Objectives**

### **A. Evaluate Operations; Prevent Waste, Fraud and Abuse:**

Conduct audits and evaluations in support of the Postal Regulatory Commission's Integration and Support activities to improve economy and efficiency. Conduct activities designed to prevent waste, fraud and abuse. The following tasks are statutory requirements under title 39 of the U.S. Code.

**FY 2014 Work Plan:**

1. Continue to monitor and audit activities as needed, and to review proposed internal policy changes.
2. Continue to improve effectiveness of reporting under the Federal Information Security Management Act along with any other mandated reports.
3. Continue to maintain hotline and to investigate all allegations of misconduct in a timely manner.
4. Conduct appropriate post-implementation review of regulations implementing the Postal Accountability and Enhancement Act of 2006, as specified in the statute.