



**Postal Regulatory Commission
Congressional Budget Justification
Fiscal Year 2020**

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Executive Summary FY 2020

The Postal Regulatory Commission (Commission) is an independent agency that has exercised regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970, with expanded responsibilities under the Postal Accountability and Enhancement Act of 2006 (PAEA). The Commission promotes high quality universal mail service for the American people by ensuring Postal Service transparency, accountability, and compliance with the law, particularly on its rates, product offerings, service quality, and competition as a government entity. The Commission's unique and distinct mission is to serve as the primary regulator of the Postal Service and provide analyses on postal financial operations to Congress, stakeholders, and the general public. The Commission's job of regulating the Postal Service, the nation's second largest civilian employer, which is currently facing significant financial challenges, could not be more important than it is now.

To accommodate the Office of Management and Budget's (OMB) request in the context of developing the administration's budget, the Commission transmits the President's appropriation recommendation of \$16,615,000 for the Commission. Since Fiscal Year (FY) 2009, Congress appropriates the Commission budget out of the off-budget Postal Service Fund, which is the permanently appropriated revolving fund comprised solely of the monies that the Postal Service controls and raises from selling its products and services. The Commission's funds, therefore, come from the Postal Service's ratepayers rather than taxpayers. The Commission's appropriation represents a tiny fraction of the Postal Service's FY 2017 revenues of \$69.7 billion. In recognition of the Commission's strengthened regulatory role, the PAEA sought to ensure the Commission's independence by authorizing submission of its budget request to Congress for appropriation of necessary sums from the Postal Fund separate from the Postal Service. The Commission respectfully notes that section 2009 of Title 39 provides that:

[T]he 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.

For FY 2020, the Commission transmits the President's appropriation of \$16,615,000, which is close to the Commission's original request of \$16,679,000. This request is in keeping with the Commission's expected expenditures for FY 2018 and FY 2019. In FY 2018, the Commission appropriation was \$15,200,000 and our expenditure was \$15,698,226. The difference between the appropriation and the projected expenditure was absorbed by our unobligated funds (carryover funds) carried to the new fiscal year.

In FY 2019, the expected appropriation is \$15,200,000 and the projected expenditure is 16,208,000. Again, the variance between the expected appropriation and the projected expenditure will be absorbed by the Commission's carryover funding.

The carryover funds utilized by the Commission were gained from a set of unique circumstances. In FY 2017, the Commission carryover was less than \$900,000 and was made up of a combination of set-aside legal fees no longer needed, and funds gained from a

vacant commissioner (and their staff) billet (vacant since November 2015). Then, in May 2017, the appropriated budget was finally passed and the Commission, which had been executing at the Continuing Resolution (CR) amount of \$15,200,000, was appropriated a \$16,200,000 budget. This extra \$1,000,000 was urgently needed; however, it was provided so late in the year it too became part of the Commission carryover. Rather than continue to accrue the carryover funds, the Commission intentionally chose to submit lower appropriation requests than needed in FY 2018 and FY 2019. Thus, instead of stockpiling the carryover, the Commission responsibly used the carryover funds. However, this carryover funding will be completely exhausted by the close of FY 2019. It is therefore vital that the Commission receive its requested increase of \$1.5 million to reflect the actual steady state of Commission funding needs.

The Commission ensured the FY 2020 requested funding was closely aligned with its Strategic Plan, and included the minimum amount needed to allow the Commission to meet its statutory responsibilities.

With the requested appropriation of \$16,615,000 the Commission will maintain its current complement and will comply with unfunded mandates in Information Technology (IT) and acquisition (such as ongoing Federal Information Security Management Act (FISMA) compliance and the March 2020 deadline for the Enterprise Infrastructure Solution (EIS) transition).

Despite the Commission's small size of 75 Full Time Equivalent (FTE) employees, it serves a critically important role in ensuring the continued operation of the Postal Service and its roughly \$70 billion in annual revenues. The vast majority of this revenue is derived from the Postal Service's Market Dominant products and services, all of which require thorough review and approval by the Commission before any rate adjustments may be enacted. Most of this work must be completed in accordance with statutory timelines. The American people and the nearly trillion dollar postal and delivery sector of our economy rely greatly upon thorough and timely work by the Commission. Additionally, the Commission must protect the interests of captive customers and postal competitors from potential Postal Service misuse of its market power. The evolving postal sector results in an ever increasing caseload at the Commission. A Commission that lacks the funds to function as intended by Congress will likely force a further degradation in certain Postal Service operations.

Personnel

The Commission already operates as a lean organization. After accounting for the statutorily required positions, the workforce requirements of commissioners, and the administrative support personnel, the Commission has just 44 professional staff to perform the challenging analytical, technical, and legal work that is the core of the Commission's regulatory responsibilities. The Commission, by law, must also appoint a professional staff member to serve as an officer of the Commission to represent the interests of the general public in all docketed proceedings. Therefore, the Commission must field "two teams" for every case, further stretching resources. In addition, the Commission has a statutory requirement to maintain an independent Office of the Inspector General, which is comprised of three employees at a current cost of nearly \$500,000 annually.

The Commission continues to work on significant statutorily mandated reviews even as it experiences a substantial increase in additional workload. The number of docketed cases continues to steadily increase each year and these cases continue to increase in complexity, particularly those related to rates, new products, service changes, and competition. The Commission's goal for FY 2020 is to simply preserve our ability to fund the current FTE with no new growth. It is important to recognize that the Commission deferred hiring from 2008-2014, at which time the Commission began increasing much needed staff. The Commission had literally "just turned the corner" and, prior to the reductions of FY 2018, was finally able to begin hiring the adequate number of staff to address the greatly expanded mission assigned under the PAEA. In FY 2020, the Commission expects increased workload resulting from the 10-year review and the President's Task Force recommendations. This additional workload will entail intensive analysis by the Commission, involve extensive public participation, and require a significant share of the Commission's resources.

Any reduction in staffing would degrade the Commission's ability to meet our statutory responsibilities, delay timely responses, and affect the customer experience of our stakeholders, especially the American public.

Cybersecurity and IT Infrastructure

The Commission had deferred much-needed IT expenditures for many years, and in FY 2014 was finally able to begin modest investments in our IT infrastructure. Like personnel, IT, too, had "just turned the corner" and was beginning to make progress toward FISMA compliance and greater cybersecurity.

As authorized by the OMB in Directive M-17-28, with the requested budget amount, the Commission seeks to maintain and optimize its IT infrastructure and strengthen its cybersecurity posture with resources budgeted to manage cyber-risk, strive to achieve FISMA compliance, and transition the Commission to EIS, the new federal telecommunications contracting vehicle. Funding these initiatives is essential to ensuring the Commission has an acceptable risk assessment, a strong cybersecurity posture, and is in compliance with IT mandates and acquisition priorities.

The IT budgetary resources, in priority order, will be utilized for implementation costs for the transition to EIS; required annual security assessment of IT systems; the move to cloud-based services for Commission applications; Managed Trusted Internet Protocol System (MTIPS) and Dual-Factor Authentication monthly recurring charges; IT contract support, maintenance and service fees for IT systems; the required annual IG audit of FISMA compliance; and exfiltration, penetration, and phishing tests.

Summary Conclusion

Until 2008, the Commission received its budget directly from USPS, not through the appropriations process. Since the Commission entered the appropriation process, from 2009 to 2015, the agency was generally flat-lined and as a result, deferred needed hiring and investments in IT. After 6 years, this was no longer sustainable and Congress appropriated monies to help the agency turn the corner. Although, as noted above, in

recent years the increases arrived late in the fiscal year and became part of the Commission carryover. By responsibly using the agency's carryover funds rather than stockpile, the Commission consciously then requested lower appropriated amounts the past couple years. Those carryover funds will now be exhausted and hence it is critical that the President's full recommendation of \$16,615,000 be appropriated to ensure stable operations of the Commission.

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
 - 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

Vision

To be an independent regulator respected for effectively engaging postal stakeholders to promote a robust universal mail system through objective, accurate, and timely regulatory analyses and decisions

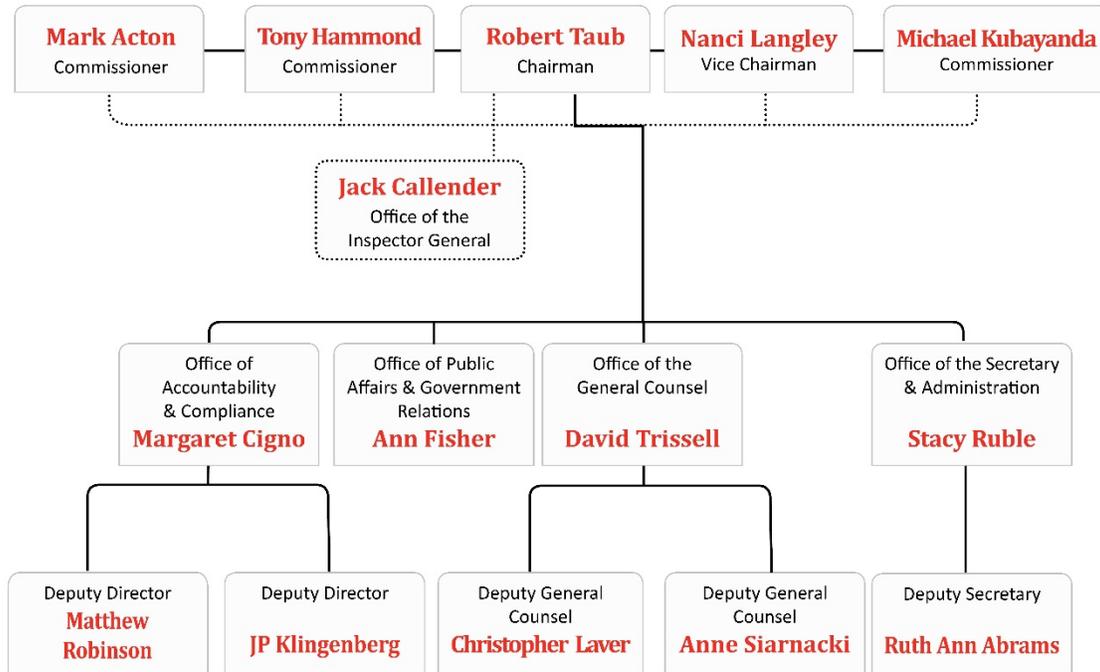
Background

The Commission is an independent establishment of the executive branch of the United States Government, exercising regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970, with expanded responsibilities under the PAEA. The Commission is composed of five commissioners, each appointed by the President, by and with the advice and consent of the Senate, for a term of 6 years. No more than three of the commissioners may be adherents of the same political party. The President designates one of the commissioners to serve as chairman. The chairman is the principal executive officer of the Commission.

Commission staff have expertise in law, economics, finance, statistics, and cost accounting, and are organized into four operating offices:

- **Accountability and Compliance.** The Office of Accountability and Compliance is responsible for technical analysis and formulation of policy recommendations for the Commission in both domestic and international matters. It provides the analytic support for Commission review of rate changes, Negotiated Service Agreements (NSA), classifications of new products, post office closings, amendments to international postal treaties and conventions, as well as other issues.
- **General Counsel.** The Office of the General Counsel provides legal assistance on matters involving the Commission's responsibilities and authorities, including defending Commission decisions before the courts and advising the Commission on legislation, rulemaking, procurement, personnel, ethics, and all other legal matters.
- **Public Affairs and Government Relations.** The Office of Public Affairs and Government Relations is the Commission's primary resource in support of public outreach and education; media relations; and liaison with Congress, the Postal Service, and other government agencies. The office provides information for consumers and responds to their inquiries.
- **Secretary and Administration.** The Office of the Secretary and Administration (OSA) provides management and staff support to the Commission's operational offices (including the Office of the Inspector General (OIG)), the Commission's Strategic Plan, and various initiatives of the Executive Branch. OSA ensures that the Commission has the physical, financial, technological, and human capital infrastructure needed to accomplish its mission by providing for the management of accounting, finance, budget, records, human capital, information technology, and administrative support.
- **Inspector General.** The Commission maintains an independent OIG. That office conducts, supervises, and coordinates audits and investigations relating to Commission programs and operations, and identifies and reports fraud and abuse.

Organizational Chart



Commission Achievements in FY 2018

The Commission achieved the following significant statutorily required accomplishments in FY 2018 that support its mission to ensure transparency and accountability of Postal Service operations and foster a vital and efficient universal mail system.

The Commission published four major reports in FY 2018:

- The *Annual Report to the President and Congress* (Annual Report) described the Commission's accomplishments and activities as the regulator of the Postal Service.
- The *Annual Compliance Determination Report* (ACD) for FY 2017 reviewed the Postal Service's compliance with pricing and service standards.
- The *Financial Analysis of the United States Postal Service Financial Results and 10-K Statement for Fiscal Year 2017* provided an in-depth analysis of the Postal Service's financial condition.
- The *Analysis of the Postal Service FY 2017 Annual Performance Report and FY 2018 Performance Plan* evaluated whether the Postal Service met its performance goals as required under Title 39 of the United States Code (U.S.C.), section 3653(d).

The Commission presided over several rate and classification proceedings in FY 2018:

- The review and approval of a Postal Service proposal to adjust Market Dominant prices, including shape-based rates for inbound letter post
- The review and approval of a rate adjustment concerning the inbound portion of the bilateral rate agreement between the Postal Service and Canada Postal Corporation and a modification to that agreement adding additional products

In December, the Commission issued its findings in the statutorily mandated 10-year performance review of the original "system for regulating rates and classes for market-dominant products" in accordance with 39 U.S.C. § 3622. The law requires the Commission to determine whether the system set up in 2006 has achieved the 9 objectives, considering 14 additional factors, established by the PAEA. The Commission determined that some objectives have not been achieved considering the factors and, in accordance with the statute, issued a proposed rule-making proposing changes to the system that address the issues identified by the Commission in its review. The Commission received approximately 200 initial comments and almost 20 reply comments in response to the orders issuing its findings and the proposed rules.

The Commission continued its review of the appropriate minimum contribution to the Postal Service's institutional costs that competitive products must provide pursuant to 39 U.S.C. § 3633(b). In FY 2018, the Commission issued proposed rules, received public comments on the proposed rules, and issued revised proposed rules.

The Commission concluded its work on one public inquiry docket, continued its work on another public inquiry docket, and initiated a new public inquiry docket:

- In furtherance of its review of issues relating to the proposed internal service performance measurement system, the Commission filed a procedural order requesting comments from interested parties and received several submissions. The Commission's review showed the system is capable of developing objective service

performance measurement; reporting accurate, reliable, and representative service performance data; and providing data in the nature and form required by the Commission. Accordingly, the Commission issued a final order approving the use of the Postal Service's proposed internal measurement system conditioned upon the Postal Service continuing its external auditing program.

- In furtherance of its review of city carrier costs, the Commission filed multiple requests for additional information from the Postal Service and is continuing to review and evaluate the comments from stakeholders and the Postal Service's responses.
- The Commission initiated a review of the market conditions for the Inbound Letter Post product, specifically concerning small packets, in response to issues raised by the Postal Service in the FY 2017 ACD. The Commission opened the case and filed a Chairman's Information Request about the competitive conditions in the market relating to this product.

The Commission considered several rulemakings relating to rates, costing issues, and reporting requirements, including:

- A proceeding to explore potential enhancements to the Postal Service's data systems and to develop reporting requirements to measure, track, and report the cost and service performance issues concerning flat-shaped mail pieces. The Commission issued several information requests to improve understanding of the data collected by the Postal Service. In FY 2019, the Commission will propose data enhancements and reporting requirements for consideration in this docket. The Commission will invite public comment on the detailed proposal before adopting any final rule(s).
- A proceeding revising the Commission's periodic reporting requirements, including revising the regulations to require the Postal Service to provide Inbound Letter Post volume, revenue, attributable cost, and contribution data covering the previous five fiscal years; changing deadlines for financial reporting; and asking the Postal Service to provide data that has been routinely requested via Chairman's Information Requests during ACD proceedings. In the case of the revised reporting requirements for Inbound Letter Post, the Commission intends to use the new data to conduct more in-depth analysis of the Inbound Letter Post product, which has a long history of failing to cover attributable costs. The Commission concluded the proceedings in late FY 2018, requiring the Postal Service to file the revised data in the next *Annual Compliance Report*.
- Thirteen Postal Service petitions proposing to change various accepted analytical principles.

The Commission issued new rules and amendments concerning the standards of ethical conduct for Commission employees and the treatment of non-public information, specifically appropriate transmission and protection of non-public materials, in order to maintain appropriate transparency and modernize practice before the Commission.

The Commission approved 290 NSAs for competitive products (205 domestic, 85 international) and approved one market dominant NSA.

The Commission reviewed and approved the Postal Service's calculation of the assumed Federal income tax on Competitive products.

The Commission provided President Trump's Task Force on the United States Postal System with extensive data and background as the task force worked to develop a set of administrative and legislative recommendations to return the Postal Service to a sustainable financial path.

On August 23, 2018, the President issued to the Commission chairman, as well as other various components of the Executive Branch, a Memorandum on Modernizing the Monetary Reimbursement Model for the Delivery of Goods through the International Postal System and Enhancing the Security and Safety of International Mail. Early in FY 2019, the President then issued further direction for the Commission and the USPS to implement self-declared rates charged to foreign posts. The Commission will therefore be working to address these matters, which will include financial analyses of terminal dues. Much more work is expected in this area as the White House continues its involvement in international postal policy.

In its international postal policy role, the Commission also:

- Continued collaboration on international postal issues with other government agencies such as the Department of State through its Federal Advisory Committee on International Postal and Delivery Services
- Provided views to the Secretary of State on whether certain proposals for the Extraordinary Congress of the Universal Postal Union (UPU) are consistent with the standards and criteria for modern rate regulation established by the Commission under 39 U.S.C. § 3622

In FY 2018, the Commission continued its commitment to support initiatives to recruit, develop, and retain a skilled, high-achieving, and diverse workforce. At the end of FY 2018, women and minorities accounted for 57 percent and 31 percent of the workforce, respectively. Women also filled 40 percent of the Commission's executive positions; minorities filled 10 percent.

The Commission provided internship opportunities to aid in recruiting and developing professionals with diverse backgrounds. It will continue efforts to increase diversity in the workforce through outreach and recruiting at local universities, veterans' groups, and other organizations and groups that target under-represented populations.

The Commission continued its commitment to transparency, accountability, and compliance with the Freedom of Information Act (FOIA), which resulted in a favorable review in the Department of Justice's FY 2016 Assessment of Agency Progress (the last report providing a score for the Commission). In FY 2018, the Commission had a record-setting 37 percent increase in the number of FOIA requests received, compared to FY 2017.

As part of its mission to ensure transparency and accountability, the Commission continued to provide live and archived webcasts of important Commission events. Webcasts are available on the Commission's website, www.prc.gov.

The Commission focused on overhauling its data governance policies and systems, making improvements to its records management program to ensure compliance with the

Presidential Memorandum on Managing Government Records (November 28, 2011) and OMB/NARA Directive M-12-18 (August 24, 2012). The records management team worked closely with the National Archives and Records Administration (NARA) in FY 2018 to update its Commission-specific records schedule, which was submitted to NARA and approved by the Archivist of the United States. Annual records management training was provided to all Commission staff to educate and inform them of their records management responsibilities. The Commission is also in the process of implementing a holistic electronic document and records management system. This system will not only improve internal data governance, but also improve the public end-user experience, process, and access to the Commission's records. The Commission received positive ratings from NARA for proceeding with and strengthening its records management program.

In response to the 2009 presidential memorandum regarding government contracting, and in line with Executive Order 13576, "Delivering an Efficient, Effective, and Accountable Government" (2011), the Commission in FY 2018 began updating its acquisition policy and process. The new policy is centered on strengthening the Commission's commitment to best value and promoting a fair and equitable procurement opportunity for all vendors.

The Commission was the first very small agency to complete implementation of the Department of Homeland Security's Cyber-hygiene and Continuous Diagnostics and Mitigation (CDM) program, which strengthens the Commission's cybersecurity posture and provides management with relevant and timely information about threats and vulnerabilities to the Commission IT systems.

The Commission issued updated internal policies for Compensation and Performance Management.

The Commission is likely to respond to – or in some instances, refer to the Postal Service for resolution – around 4,500 inquiries, questions, suggestions, and comments from the general public, which primarily involve undelivered, delayed, misdelivered, and missing mail.

Budget Overview and Highlights for FY 2020

The Commission is requesting a FY 2020 appropriation of \$16,615,000. This request focuses on four funding priorities: maintain, but not increase, the 75 FTEs currently onboard and needed to accomplish the Commission's mission; address requirements from several statutorily-required rulemakings, such as the § 3622 study and Institutional Costs; modernize information security/cybersecurity; and meet all legal obligations.

The Postal Service's financial viability depends upon the prompt and efficient adjudication of pricing and product proposals, and the American public relies upon timely Commission oversight of Postal Service actions and response to complaints. The requested amount of \$16,615,000 will allow the Commission to perform its statutory responsibilities proficiently. The Federal Government has also experienced many well-publicized cybersecurity challenges and has issued legislation and mandates to meet these challenges, which, in turn, have resulted in growing requirements for the Commission IT budget line.

If funded as requested, the Commission will maintain its current high-performing 21st century workforce (the minimum workforce needed to meet the mission of the Commission) and will continue with the critical IT infrastructure modernization necessary to enhance mission effectiveness while reducing cybersecurity risks. The Commission will also continue the progress made toward modernized enterprise data governance and public access to data.

The FY 2017-2022 Strategic Plan was developed to serve as a steady guide to steer the future work of the Commission and is a fundamental beacon for the Commission's efforts toward continuous improvement, efficiency, and effectiveness. The four strategic goals listed below guide the Commission's work and serve to directly link the budget to the Strategic Plan's Work Plans and Performance Objectives.

1. Deliver accurate and objective analyses and decisions to ensure transparency and accountability of the Postal Service.
2. Actively engage with Congress and stakeholders in support of a dynamic postal system.
3. Provide an optimal internal infrastructure to support management of priorities, workload, and emerging requirements.
4. Recruit, develop, and retain a diverse, high-performing workforce.

The Commission's two primary expenditures, personnel compensation and lease obligations, account for 91 percent of the annual appropriation. This is an especially telling data point. When the Commission's obligation to a long-term lease through 2022 is considered, it is apparent that unless reductions are made to personnel compensation, i.e., personnel reductions, there is no room left in the budget to absorb any reductions that may be levied. There is simply nothing left to cut without degrading the Commission's ability to meet its mission. (*See, FY 2018 Expenditures.*) The Commission is committed and confident that, with the approved required amount of \$16,615,000, the Commission will continue to achieve its mission.

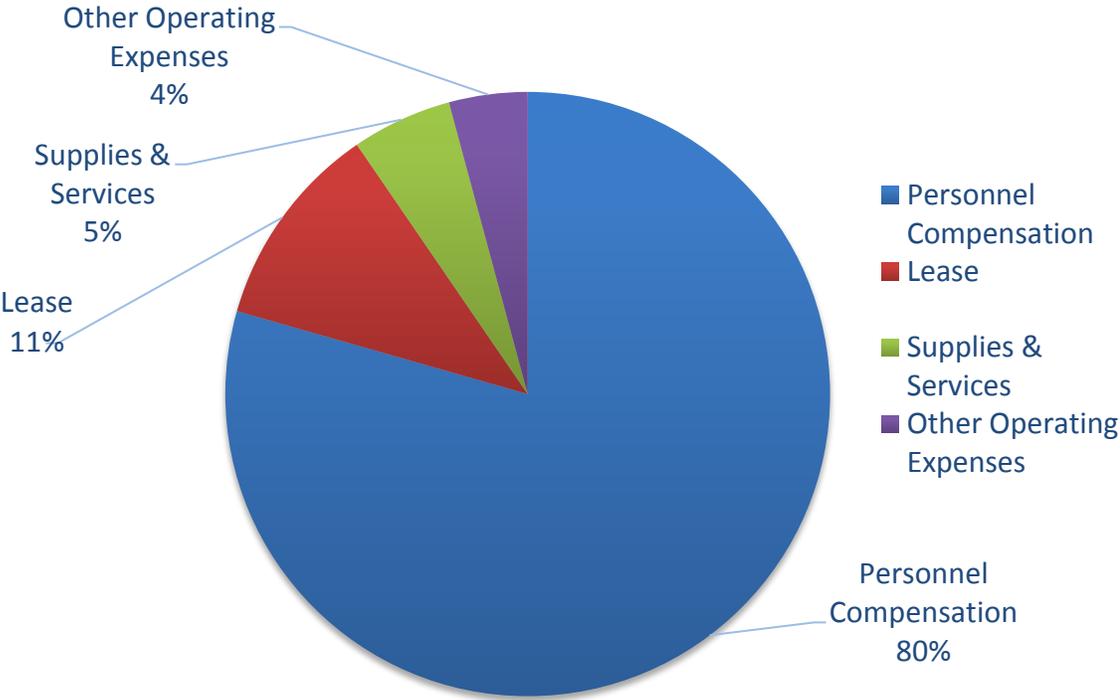
In FY 2018, the Commission received an appropriation of \$15,200,000, and in FY 2019 the Commission expects to receive an appropriation of \$15,200,000, recognizing that the Commission's carryover funding would be used to offset the Commission's actual budget requirements of \$15,698,225 (FY 2018) and \$16,208,000 (FY 2019). By requesting a reduced appropriation and using the carryover balance in support of the President's agenda (rather than continuing to build up carryover) the Commission was fiscally responsible in the use of the carryover funding by requesting a reduced appropriation. However, the carryover funding will be depleted by the end of FY 2019, making this path unsustainable. (See Unobligated Funding Used for Shortfall Projected Expenditures FY18-FY19.)

If funded below the President's recommendation of \$16,615,000, the Commission will be hampered in its efforts to timely execute the Commission's workload, resulting in the inability to effectively regulate Postal Service matters and provide adequate regulatory oversight. The American people and the nearly trillion dollar postal and delivery sector of our economy rely heavily upon thorough and timely work by the Commission. Additionally, the Commission must protect the interests of captive customers and postal competitors from potential Postal Service misuse of its market power. A continually evolving postal sector results in a constantly increasing caseload at the Commission. A Commission that lacks the funds to function as intended by Congress will likely force a further degradation in certain Postal Service operations.

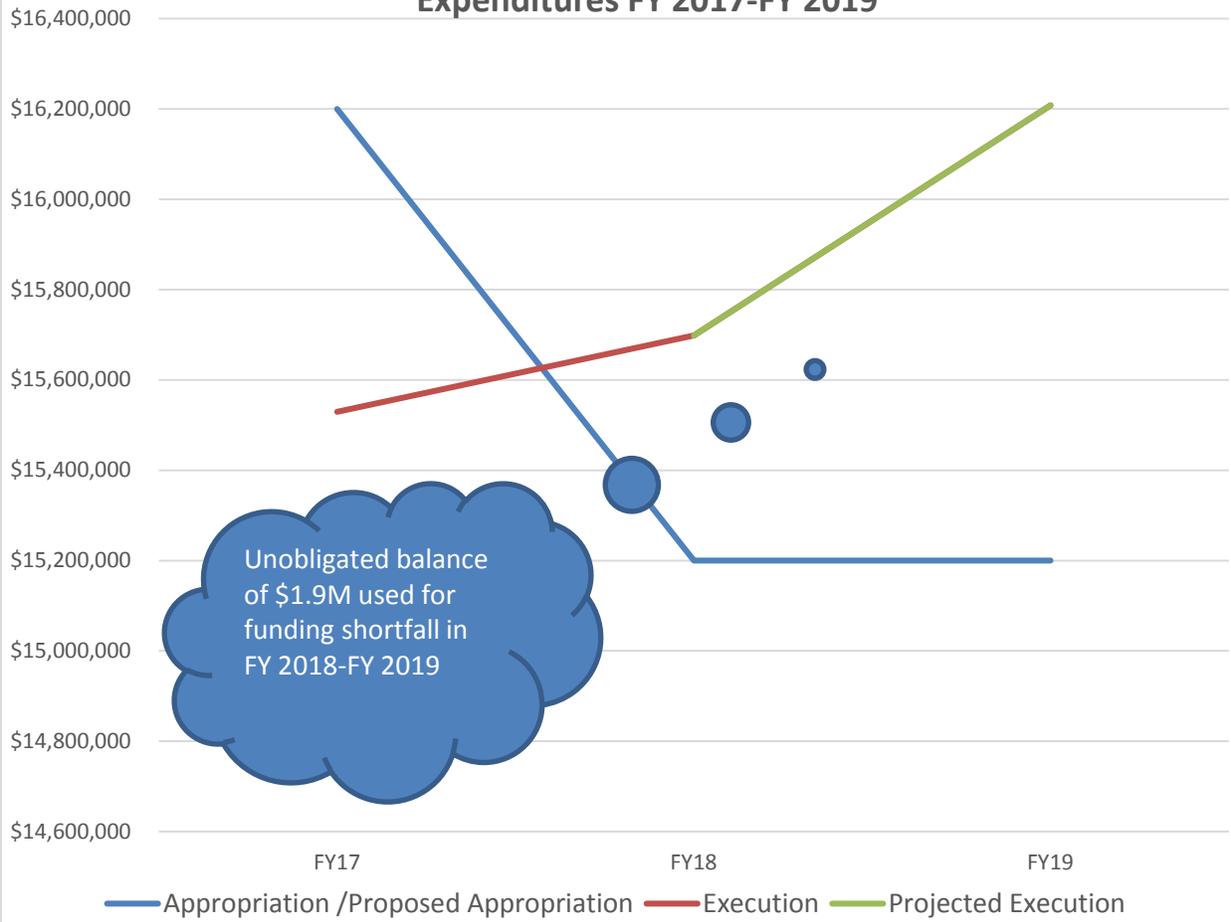
Additionally, any reduction below the President's recommendation would require the Commission to:

- Institute a Reduction In Force (RIF) if attrition does not sufficiently materialize.
- Continue the hiring freeze.
- Stop IT modernization plans, including cloud computing implementation, annual security assessment, FISMA audit, and mandated system testing.
- Suspend the Network to EIS transition implementation (which leaves the Commission unclear as to what telecommunication vehicle will provide needed telephone, data, and internet services).
- Discontinue progress toward a 21st century workforce (suspending all employee training programs, student loan repayment and tuition assistance programs, and the Commission intern program).
- Cease updates to the public-facing website.
- Default on any projected statutory pay increase for FY 2020 and implement a pay freeze.

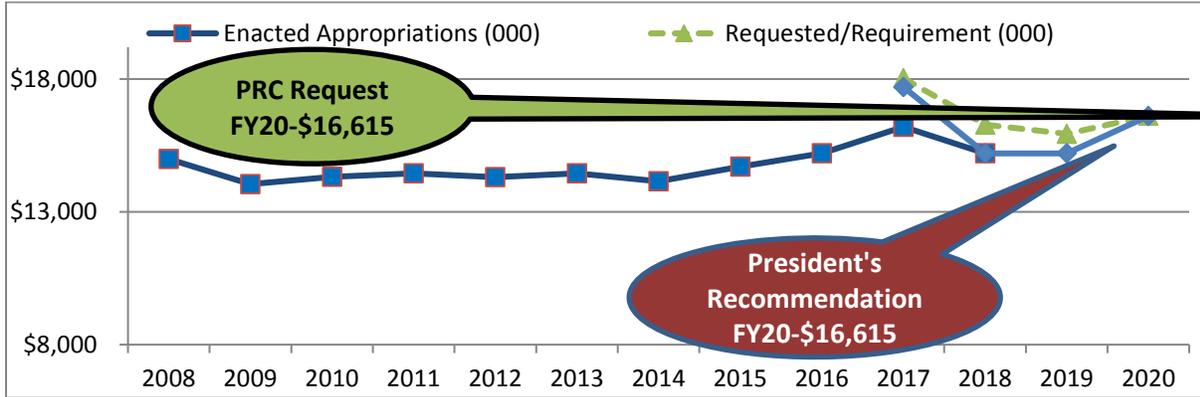
FY 2018 Expenditures



Unobligated Funding Used for Shortfall - Projected Expenditures FY 2017-FY 2019



FY 2008-FY 2020 Enacted/Submitted Budget (in 000s)



Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Enacted Appropriation (000)	\$14,985	\$14,043	\$14,320	14,450	14,304	\$14,450	\$14,152	\$14,700	\$15,200	\$16,200	\$15,200		
President's Recommendation (000)										\$17,700	\$15,200	\$15,200	\$16,615
PRC Requirement										\$18,026	\$16,285	\$15,936	\$16,615

Commission's Statutory Responsibilities Increase

In FY 2017, the 10-year anniversary of the PAEA's enactment, the Commission began two critical reviews mandated by law, which were finalized in FY 2018:

1. A review of the efficacy of the system for regulating rates and classes in achieving the objectives of section 3622 of Title 39 of the United States Code (§ 3622 review). This review required a comprehensive reassessment of how rates and fees for market dominant products are set, which could have a critical impact on the American mailing public, business mailers, and the Postal Service.
2. A review of the contribution of Competitive products to institutional costs, which is of significant import to the commercial marketplace.

In FY 2019 and FY 2020, the Commission expects to experience increased workload related to potential changes resulting from these evaluations, particularly the § 3622 review, which will entail intensive work and analysis by the Commission, involve significant public participation from postal stakeholders, and require a substantial share of the Commission's resources.

In Addition to Statutory Mandates, Workload Continues to Grow

The Commission anticipates many new challenges as the President, Congress, the Postal Service, and interested stakeholders explore the legal boundaries of the PAEA. For example, the Commission anticipates an increased workload based on the important work of the Task Force on the United States Postal System (established by Executive Order and headed by the Secretary of the Treasury), the presidential memorandum to modernize the system to reimburse postal operators for the delivery of goods, and any proposed legislation from Congress. On April 12, 2018, President Trump issued an executive order that detailed the Postal Service's precarious financial situation and established a Task Force on the United States Postal System, the goal of which was to return the Postal Service to a sustainable financial path. The order called for the task force, chaired by Treasury Secretary Mnuchin, to consult with the chairman of the Commission as it developed a series of recommendations for administrative and legislative reforms to the Postal Service. The Commission has since provided the task force with an extensive amount of data, rate analyses, and background on Commission orders. Additionally, the Commission provided a full-time executive level detailee to assist the task force with its work. The Commission anticipates that some of the task force recommendations, if implemented, will directly impact the Commission and its work. Extensive engagement with Congress and the possibility of new Commission rulemakings related to the recommendations are anticipated throughout 2019 and 2020.

Finally, the Commission expects to adjudicate an increasing number of contentious cases involving requests to expand the scope of Postal Service Competitive product offerings, either through the creation of new Competitive products or the transfer of existing Market Dominant products to the Competitive products list.

The Postal Service's efforts to adjust to national changes in mail usage will require the Commission to continue to adjudicate cases of major national policy import. The Commission will need to review additional Postal Service proposals to right size its network and will be required to provide needed oversight as the Postal Service tries to make greater use of its pricing flexibility under the PAEA. The Commission will need 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 result in innovative products and services, greater efficiencies, and cost savings for the Postal Service.

As the Postal Service implements changes to operating hours, delivery service, and processing infrastructure, the Commission will in turn be required to adjudicate several highly complex cases related to these changes. Additionally, as the Postal Service proposes new products, services, and NSAs to generate additional revenue, 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. As a result, the Commission will continue to handle an increasing number of complex dockets. It is imperative, therefore, that the Commission maintain no less than the 75 FTEs currently onboard to execute these statutorily mandated obligations.

As in previous years, the Commission will issue its primary regulatory document, the ACD, assessing the Postal Service's compliance with ratemaking regulations and applicable laws. In this report, the Commission will review and determine whether market dominant rates are within the Consumer Price Index rate cap, whether Competitive products are subsidized by Market Dominant products, and whether Competitive products pay their attributable costs as well as an appropriate share of fixed postal costs. The report will also evaluate the Postal Service's service performance. The Commission will also issue three additional reports: *The Analysis of United States Postal Service Financial Results and 10-K Statements*, *Analysis of the Postal Services Program Performance Report and Performance Plan*, and *Annual Report to the President and Congress*.

The Commission may also undertake other special studies requested by the Postal Service, Congress, or as needed to complete its statutory responsibilities. The Commission has previously completed studies on: infra-marginal and institutional costs, terminal dues, postal elasticity, cost elements of the Universal Service Obligation, and cost elements of the value of the postal monopoly. In FY 2018, the Commission completed and transmitted two special studies analyzing Postal Service retirement and healthcare funding to the Postal Service, Congress, and the Office of Personnel Management. These studies were prepared in response to a request from the Postal Service, in accordance with the PAEA, which requires that the Commission procure the services of an actuary upon receiving such a request from the Postal Service. These studies created a significant additional workload and an unprogrammed expense of \$80,000 – a considerable amount considering the Commission's very limited budget.

The Commission also serves an integral role in helping the Department of State formalize and promote U.S. Government positions in the UPU, particularly in promoting greater transparency and accountability. Based on a recent Presidential Memorandum, "Modernizing the Monetary Reimbursement Model for the Delivery of Goods Through the International Postal System and Enhancing the Security and Safety of International Mail,"

the Commission anticipates assisting the Secretary of State in his efforts to modernize the system to appropriately and fairly reimburse postal operators for the delivery of goods. (See, <https://www.whitehouse.gov/presidential-actions/presidential-memorandum-secretary-state-secretary-treasury-secretary-homeland-security-postmaster-general-chairman-postal-regulatory-commission/>.)

CAP Goal #1: Modernize IT to increase productivity and security

The Commission seeks to use IT modernization to transform the Commission's enterprise infrastructure, strengthen its cybersecurity posture, and build a modern IT workforce by implementing cloud computing solutions, leveraging shared IT services, and in the absence of the instituted hiring freeze, acquire a skilled cybersecurity professional. In FY 2018 and FY 2019, the Commission moved system backups to the cloud and began implementing a cloud-based electronic document and records management system, which will provide internal and external customers with access to the Commission dockets system (the primary repository of Commission documents). The Commission plans to move the remaining majority of IT services and applications to the cloud in FY 2019-2020 as well by implementing Office 365 (including email) to include continuity/disaster recovery systems.

Great strides were made in FY 2018 toward hardening our systems and increasing our monitoring capabilities by implementing CDM as a shared service through the Department of Homeland Security (which also aligns with CAP Goal #5 – Sharing quality services). In FY 2020, if funded as requested by the Commission, the Commission will implement the next phase of CDM and continue ongoing critical projects to ensure the security of our data and systems in the face of increased cybersecurity threats (obtaining up-to-date technology that ensures cyber-threats are systematically and effectively identified, evaluated, and mitigated). An expected and necessary result of implementing these increased capabilities is the on-going budgetary impact of annual licensing, service, and maintenance fees. The cost of these annual recurring fees is high. For example, in FY 2018, the Commission finalized its implementation of MTIPS. This implementation alone resulted in a monthly recurring cost of approximately \$10,000 (\$120,000 per fiscal year).

In FY 2016, the Commission submitted its transition plan to the General Services Administration (GSA) as required for the upcoming telecommunication transition from Networx to EIS, and will finalize its implementation plan in FY 2019. In FY 2020, the Commission will continue to work with GSA on the transition activities to ensure that the Commission has a compliant and up-to-date telecommunication infrastructure by the March 2020 deadline. This is a major project for the Commission IT staff and will require dedicated resources to complete.

The Commission operates a small 3-person IT team to handle all information technology needs for the Commission. This small and hard-working team provides all IT support for the Commission staff and for the public-facing web applications. However, there is a growing skills gap in modern, up-to-date cybersecurity. This skills gap has been highlighted as the Commission implements the first phase of CDM, and the Commission has realized the need, when funding is available, to recruit a skilled cybersecurity professional to ensure that the Commission competently utilizes the CDM dashboard and other cyber information to monitor and mitigate threats.

CAP Goal #2: Leveraging data as a strategic asset

The Commission also intends to continue with other modernization initiatives. The Commission recognizes that data contained in its docketing system is a primary strategic asset, and values the openness and transparency that this system affords to the general public. To ensure that this asset is available to all, the Commission needs to enhance its website to ensure compliance with Section 508 of the Rehabilitation Act, as well as conduct network exfiltration, phishing, and penetration testing as required by the FISMA, amended in 2014.

In FY 2019 and FY 2020, the Commission plans to finalize the implementation of an electronic records management system, including email and document control. This system will provide compliance with OMB/NARA Records Management directives and improve the safeguards and security of our records.

The following chart details the various IT projects that the Commission intends to implement in FY 2020, along with their estimated costs.

FY 2020 IT Project List	Budgeted Amount
Security assessment and annual system authorization	\$56,406
IT service agreements and maintenance contracts	\$94,000
IT contract support (including support for CDM implementation)	\$150,000
EIS transition (telecommunication contract change)	\$75,000
Annual IG audit of FISMA compliance	\$50,000
Electronic Document and Record Management System maintenance and service (including application license fees TBD)	\$80,000
System testing (exfiltration, phishing, and penetration testing)	\$15,000
Cloud computing (O365, email, COOP/DR)	\$75,000
Total	\$595,406
Note: If funded less than requested by the Commission, these items will be suspended or delayed until funding becomes available in future years, if at all, increasing both risk and cost.	

CAP Goal #3: Developing a workforce for the 21st century

The human capital goal of the Commission, as stated in the Strategic Plan, is to “recruit, develop, and retain a diverse, high-performing workforce.” In FY 2018, the Commission strategically assessed its workforce to ensure that it possessed all necessary positions to accomplish its core mission. In the FY 2020 budget year, this alignment of human capital would be fully realized, should funding be available as requested. The Commission already outsources all HR and accounting transactional processing to the USPS Human Resources Shared Service Center and USPS Accounting Service Center (in support of CAP Goal #5 – Sharing quality services).

In FY 2020, the Commission will begin formulating its new Strategic Plan and Human Capital Plan for the next 5 years. This effort will leverage the realignment work

accomplished in FY 2019 to ensure that the Commission has assessed its mission and key outcomes and has integrated workforce planning into strategic planning to build the first-in-class workforce needed to meet mission needs efficiently and effectively.

Budget Program Information

The Commission’s FY 2020 Performance Budget Plan has four programs consisting of: (1) Accountability and Compliance; (2) Public Access and Participation; (3) Integration and Support; and (4) the OIG. These programs are aligned with the goals contained in the Commission’s Strategic Plan.

Program	FY 2018 Appropriation		FY 2018 PRC Requirement		FY 2019 President's Recommendation		FY 2019 PRC Requirement		FY 2020 President's Recommendation	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
Postal Service Accountability & Compliance	8,289	41	8,392	41	8,289	41	8,897	41	9,138	41
Public Access & Participation	3,021	12	3,044	12	3,021	13	3,135	13	3,157	13
Integration & Support	3,445	18	3,726	18	3,445	18	3,698	18	3,822	18
*Office of the Inspector General	445	3	536	3	445	3	478	3	498	3
Total	15,200	74	15,698	74	15,200	75	16,208	75	16,615	75

(*) This is the full amount requested by the Inspector General to fund OIG personnel (including detailees), travel, and training.

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), \$16,615,000, to be derived by transfer from the Postal Service Fund and expended as authorized by section 603(a) of such Act.*

*** NOTE: Pursuant to 39 U.S.C Section 2009, "The President shall include [the Commission's appropriation request], with his recommendations but without revision, in the budget transmitted to Congress under section 1105 of title 31." To accommodate the OMB's request in the context of developing the administration's budget, the Commission transmits the President's appropriation recommendation of \$16,615,000.**

Obligation by Object Classification

Object Classification	FY 2018 Appropriation	FY 2018 PRC Requirement	FY 2019 President's Recommendation	FY 2019 PRC Requirement	FY 2020 President's Recommendation
Personnel Compensation	\$ 12,182	\$ 12,122	\$ 12,272	\$ 12,359	\$ 12,707
Other Personnel Compensation	\$ 275	\$ 275	\$ 91	\$ 216	\$ 230
Subtotal	\$ 12,457	\$ 12,397	\$ 12,363	\$ 12,575	\$ 12,937
Supplies	\$ 1	\$ 50	\$ 1	\$ 50	\$ 42
Office Furniture & Equipment	\$ -	\$ -	\$ -	\$ 9	\$ 1
Office Equipment Rental & Repair	\$ -	\$ 14	\$ -	\$ 10	\$ 1
Contractual Services	\$ 6	\$ 189	\$ -	\$ 330	\$ 315
Consulting Services	\$ 1	\$ 609	\$ 6	\$ 427	\$ 325
Advertising	\$ -	\$ -	\$ 1	\$ -	\$ -
BLDG Repairs & Alterations	\$ -	\$ 5	\$ -	\$ -	\$ 1
Subtotal	\$ 8	\$ 867	\$ 8	\$ 826	\$ 685
Travel	\$ 1	\$ 15	\$ 1	\$ 20	\$ 6
Training	\$ 1	\$ 32	\$ 1	\$ 20	\$ 23
Printing & Reproduction	\$ 115	\$ 161	\$ 161	\$ 160	\$ 157
Lease	\$ 1,851	\$ 1,851	\$ 1,899	\$ 2,181	\$ 2,213
Miscellaneous, Subscriptions	\$ -	\$ 1	\$ -	\$ 1	\$ -
Communications	\$ -	\$ 237	\$ -	\$ 255	\$ 260
Information Technology	\$ 767	\$ 137	\$ 767	\$ 170	\$ 334
Subtotal	\$ 2,735	\$ 2,434	\$ 2,829	\$ 2,807	\$ 2,993
Total Obligations	\$ 15,200	\$ 15,698	\$ 15,200	\$ 16,208	\$ 16,615

FY 2020 PRC requirements: IT budget includes \$94K for service agreement and maintenance, \$150K for IT contract support, \$260K for MTIPS and Dual-Factor, \$50K for annual IG FISMA audit, \$80K for Electronic Document and Records Management System. All of these IT budget items are required for FISMA compliance and \$157K for printing (Federal Register). FY 2019 IT requirements cross multiple budget lines (communication, consulting, and contractual services). **NOTE: Unobligated funds were used in FY 2018 and FY 2019 to offset shortfall. The unobligated funding will be completely exhausted by the close of FY 2019.**

Strategic Goals, Work Plans, and Performance Objectives

Postal Service Accountability

Strategic Goal 1 - Deliver accurate and objective analyses and decisions to ensure transparency and accountability of the Postal Service.

- **Strategic Objective 1.1.** Thoroughly and accurately analyze and apply statutes, regulations, and Commission precedent.
- **Strategic Objective 1.2.** Ensure transparent, accurate, and informative Postal Service reporting for evaluation of lawful compliance of rates and service performance.
- **Strategic Objective 1.3.** Responsibly, transparently, and efficiently lead the review of the existing statutory system for regulating rates and classes for Market Dominant products, as well as consider, and, if necessary, implement modifications or an alternative system.

FY 2020 Work Plan Strategies

- Analyze, develop, and implement public policy as it relates to postal matters.
- Execute a visible and effective advisory role with regard to measureable and dynamic Postal Service and mail delivery service performance.
- Consult on, revise, and augment performance standards and goals for Market Dominant products.
- Assess and refine the rules, regulations, and systems established for publication of relevant Postal Service data.
- Prepare analytical framework.

FY 2020 Work Plan

- Review and evaluate Postal Service financial data.
- Enforce compliance determinations.
- Review and evaluate Postal Service international data and proposals for the UPU.

The Commission will measure success by the timeliness, thoroughness, relevance, and accuracy of readable work products. These indicators will be supplemented by feedback from commissioners and staff, the Postal Service, the State Department, and other stakeholders.

- Execute a visible and effective advisory role in regard to Postal Service proposals for changes in the nature of U.S. postal services, such as proposed changes in

nationwide services. Issue special reports on Commission evaluation of potential policy and systemic changes.

- On an annual basis, evaluate compliance with standards for service performance (39 U.S.C. section 3653) and continue to evaluate the extent to which the Postal Service must use an external versus an internal measurement system.
- Consult on, revise, and augment performance standards and goals for Market Dominant products.
- Review quarterly service performance data and maintain reports on website.

The Commission will measure success by the timeliness, quality, thoroughness, and accuracy of readable work products, as well as its relevance and actionable advice. These indicators will be supplemented by feedback from commissioners, the Postal Service, Congress, the postal community, and other stakeholders.

- Review the efficacy of the system for regulating rates and classes for Market Dominant products and propose changes, as necessary, to better meet the objectives of the PAEA.
- Review and evaluate Postal Service proposals to move products between Market Dominant and Competitive product classifications.
- Review, analyze, and evaluate workshare discounts, NSAs, and market tests. Issue timely, accurate reports and findings on these reviews.
- Review, analyze, and evaluate Postal Service requests for rate changes.
- Review Postal Service and other parties' requests for changes to cost methodologies.
- Calculate cost of the Universal Service Obligation on an annual basis.
- Maintain and improve understanding of universal mail system.

The Commission will measure success by the timeliness, thoroughness, relevance, and accuracy of its readable work products. These indicators will be supplemented by feedback from commissioners, the Postal Service, Congress, the postal community, and other stakeholders.

Public Access and Participation

Strategic Goal 2 - Actively engage with Congress and stakeholders in support of a dynamic postal system.

- **Strategic Objective 2.1.** Continue to strengthen proactive and responsive communication to foster a collaborative relationship with Congress.
- **Strategic Objective 2.2.** Foster constructive communications with the Postal Service and stakeholders to streamline the regulatory process.
- **Strategic Objective 2.3.** Clearly communicate complex analyses and decisions to address the needs of diverse stakeholders.

FY 2020 Work Plan Strategies

- Effectively communicate the outcome of Commission work to Congress in a timely fashion.
- Update the strategic communication plan to facilitate targeted congressional outreach.
- Participate in hearings on postal regulatory related matters.
- Facilitate efficient and effective Commission regulatory process and clearly articulate Commission expectations and timelines.
- Strengthen open communications with stakeholders.

FY 2020 Work Plan

- Maintain and update comprehensive strategy for outreach to the public and media. Implement consistent messaging, updating, and branding for public documents and the Commission's website.
- Continue to enhance government relations through proactive outreach and relationship building with Congress and the Executive Branch, and Federal, state, and local governments.
- Maintain a timely system to track, analyze, and respond to public and consumer inquiries and correspondence, including "informal complaints."
- Identify legislative and public affairs priorities. Develop Commission Annual Report.

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

- Maintain a consistent, transparent, and equitable formal complaint system that provides timely and proper due process to complainants and the Postal Service.
- Identify patterns in appeals and complaints and order appropriate remedies to achieve compliance.

The Commission will measure success by:

- The percentage of post office appeals resolved within 120 days.
- The percentage of formal complaints in which affirmative action was taken within 90 days.
- The percentage of rate and service inquiries in which responsive information is obtained within 60 days. The Commission will review and update as necessary procedures for appeals and complaints at least every 5 years.
- Conducting public outreach through traditional media, technology tools, and other methods to ensure wide public notice of all Commission proceedings.
- Reviewing and simplify processes through which members of the public may provide their input on the Commission's decision-making processes.

- Conforming with Commission policy, continually review and provide guidance to those appointed to represent the interests of the general public in Commission proceedings in order to improve performance.

Integration and Support

Strategic Goal 3 - Provide an optimal internal infrastructure to support management of priorities, workload, and emerging requirements.

- **Strategic Objective 3.1.** Optimize support infrastructure to manage and advance system capability, requirements, and security.
- **Strategic Objective 3.2.** Prioritize and manage workload to increase capacity and agility.
- **Strategic Objective 3.3.** Collaboratively work across functions to maintain open internal communication and address emerging requirements.

Strategic Goal 4 - Recruit, develop, and retain a diverse, high-performing workforce.

- **Strategic Objective 4.1.** Exercise Commission flexibilities to attract and retain a diverse, high-performing workforce.
- **Strategic Objective 4.2.** Maintain fair and impartial human capital management.
- **Strategic Objective 4.3.** Continue to enhance the Commission's commitment to being an employer of choice.

FY 2020 Work Plan Strategies for Strategic Goals 3 and 4

- Optimize IT capabilities.
- Strengthen and modernize the records management program.
- Streamline and standardize procurement policies and processes.
- Maintain ongoing communication of priorities among commissioners and senior staff.
- Collaborate to develop and effectively communicate administrative guidance and investment priorities.
- Attract and hire qualified and diverse candidates consistent with Federal laws.
- Strengthen relationships with affinity groups to ensure diverse outreach efforts.
- Maintain a Human Capital Plan.
- Maintain the Commission's strong commitment to equal employment opportunity.
- Involve employees and participants as agents of diversity, inclusion, and mutual respect.
- Continue refining administrative and HR analytics to inform decision-making.

FY 2020 Work Plan for Strategic Goals 3 and 4

- Develop and maintain the Commission's annual budget and fiscal processes based on administration guidance.
- Assess all IT security policies, practices, and enforcement procedures to ensure functionality and security of electronic communication systems such as website, dockets, Local Area Network, webcasts, email, Voice-Over-Internet Protocol telephony, etc.
- Execute FY 2020 IT project plan.
- Ensure that Commission records are properly maintained in accordance with policies and procedures.
- Continue to improve the records management program at the Commission. Review and modify, as necessary, records schedules and policies to meet records management directives and to simplify Commission workflow processes. Implement necessary technology to maintain a modern records management system, including management of all electronic records.
- Ensure the website – both internal and external – is current, accessible, and useful to stakeholders.
- Continue to maintain financial controls to ensure adequate fiscal responsibility.
- Ensure equipment and facilities are sufficient, safe, and secure.
- Enforce up-to-date IT security requirements.

The Commission will measure success in IT management by:

- Tracking implementation of IT project plan
- Refining and updating metrics and reports to measure success of IT implementations and cybersecurity features

The Commission will measure success in records management by:

- Ensuring a score above 85 on NARA's annual assessment
- Ensuring that the Commission meets its records management goals and is in compliance with NARA directive deadlines
- Ensuring that the Commission is "all green" on the annual FOIA assessment
- Ensuring that the Commission completes all required reports and FOIA requests accurately and in a timely manner

The Commission will measure success in financial management by:

- Decreasing the monthly variance of actual expenditures to the programmed budget amounts
- Tracking and implementing cost saving measures when identified, and providing the secretary with a comprehensive list of cost savings/avoidance achieved

The Commission will measure success in human resource management by:

- Continuing to execute the Human Capital Plan to ensure alignment of the workforce and work environment with the Commission's mission
- Implementing hiring policies and procedures, including more robust tracking of targeted recruitment efforts to attract and select highly qualified candidates
- Continuing to implement a performance management system that rewards outstanding contributions to the Commission, and addresses employee development to retain high performing staff
- Identifying and sponsoring training and development opportunities to develop employees
- Continuing to monitor the results of the Federal Employee Viewpoint Survey (FEVS), and implement appropriate solutions to achieve continuous improvement
- Maintaining and enforcing up-to-date human resources policies and procedures (e.g., compensation, benefits, Equal Employment Opportunity to ensure a fair, consistent, and sustainable application)
- Conducting semi-annual pay analysis and annual demographic analysis
- Continuing the systematic review of human resource policies and updating to ensure alignment with best practices and current regulations
- Using the FEVS results to measure leadership effectiveness as compared to the FY 2017 baseline
- Tracking targeted recruitment efforts by sending vacancy notices to diversity and affinity groups, as well as colleges and universities, to diversify the applicant pool for any open positions
- Ensuring all goals in the Commission's Occupational Safety and Health Administration plan are met

Office of the Inspector General

The Commission's Office of the Inspector General was established in June 2007 as required by an amendment to the Inspector General Act of 1978 included in the PAEA. The Commission's Inspector General has a dual reporting responsibility to both commissioners and Congress.

The role of the OIG is to detect and deter fraud, waste, abuse, and mismanagement within Commission programs, as well as to promote efficient and effective use of Commission resources. To accomplish this, the OIG conducts, supervises, and coordinates independent audits, inspections, evaluations, and other reviews in accordance with applicable law. The OIG communicates the results of these assessments to commissioners, Commission management, Congress, other oversight entities as appropriate, and to the public. Generally, the OIG communicates these results in formal reports that contain findings and recommendations aimed at correcting any deficiencies identified and at promoting efficiency and effectiveness in Commission programs and operations.

The OIG maintains a hotline to allow employees and the public to anonymously report allegations of fraud, waste, abuse, and mismanagement.

The IG requested \$498,000 for the office's personnel, travel, and training costs as well as the Commission contribution to the Council of Inspectors General on Integrity and Efficiency (CIGIE). The request includes amounts to satisfy the training requirements cost of \$2,750 and anticipated CIGIE dues of \$1,500.