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Statement Submitted for the Record

of the

House Committee on Oversight and Reform's Hearing on "Legislative Proposals to Put the Postal Service on a Sustainable Financial Footing" (2/24/21)

by

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On behalf of the nearly 290,000 active and retired members of the National Association of Letter Carriers, which represents active city letter carriers employed by the U.S. Postal Service in every Congressional District in America, I submit this statement for the record of the Committee's February 24th hearing on proposals to strengthen our agency.

NALC appreciates Chairwoman Carolyn Maloney and Ranking Member James Comer for prioritizing bipartisan postal reform efforts early in the 117th Congress. We appreciate that members of this Committee have given this issue such a high priority.

That is as it should be. Over the past year, USPS has once again demonstrated the wisdom of our nation's founding generation in calling for this vital public service in our Constitution. When the country needed it the most with the arrival of the Covid-19 pandemic, the Postal Service was there to help tens of millions of Americans to safely work and shop from home. It delivered public health information from the CDC and economic support payments form the Treasury, and it made sure that medicines, merchandise, and information continued to reach America's citizens and businesses. It also made it possible for nearly half to the country to vote on mailed-out ballots last year, safely and securely. For these reasons and more, it is no surprise that Americans rated the Postal Service as the "most essential enterprise" in a May Harris poll of U.S. citizens.

It will soon be 15 years since Congress last enacted significant legislation concerning the Postal Service. Unfortunately, the Postal Accountability and Enhancement Act of 2006 (PAEA), enacted just before the Great Recession, created a financial crisis at the self-sustaining Postal Service that plagues us to this day. It imposed an unaffordable and unfair burden to prefund future retiree health insurance premiums ($5.4 billion per year, on average) decades in advance, and established an overly strict price cap that bore no relation to the underlying cost of providing universal postal services. The resulting financial losses over the past 14 years has starved the Postal Service of investment and has led to a deterioration of service. The prefunding burden alone accounts for 84% of these losses. Even as the agency downsized in reaction to declining letter mail volume (eliminating some 200,000 career jobs), the prefunding burden and excessively tight price cap denied the USPS the resources to restructure fully and to meet the booming demand more easily for e-commerce processing and delivery. Despite these challenges, the Postal Service soldiered on and rose to the occasion in the years since 2007.

Unfortunately, a combination of the pandemic and the Christmas peak season has caused a severe deterioration in service that we are struggling to recover from today. The unprecedented surge in volume overwhelmed our available space and the surge of infections reduced the available workforce due to positive tests and quarantines.

My members know that the poor quality of service in recent months is not acceptable. NALC is committed to working with the Postal Service to fix it. But we must be honest. Like the recent collapse of the energy sector in Texas in the face of an unprecedented deep freeze, the current crisis in service quality in the Postal Service has its roots in public policy failures going back many years. The neglect of our nation's economic infrastructure – which includes our energy grids and our Postal Service – has exposed our fellow Americans to costly service disruptions.

Fortunately, the bipartisan leadership of this Committee recognizes that urgent action is needed. Committee leadership has expressed interest in taking immediate legislative action to strengthen the Postal Service, building on a limited number of consensus reforms developed by this Committee's late beloved former Chairman, Rep. Elijah Cummings, and its former Ranking Member, Mark Meadows, as well as other ideas with past, broad bipartisan support. These proposals and ideas, outlined in the discussion draft released before the hearing, have the core elements necessary to achieve broad support across the postal stakeholder community, including business and labor. We strongly support moving forward on this basis.

With regards to reform efforts, NALC believes the discussion draft attacks head on the biggest driver of the Postal Service's financial distress – the burden to prefund retiree health benefits. It not only repeals the prefunding mandate by including the provisions of the USPS Fairness Act (H.R. 695, which was adopted by a bipartisan vote of 309-106 in the last Congress), but it also seeks to significantly reduce the cost of health insurance for the Postal Service and its employees and annuitants by integrating those health benefits with the various parts of Medicare, into which the Postal Service and its employees have paid taxes for decades. This reform, which would be done on a prospective basis for active employees and be offered to postal annuitants on a voluntary basis, is common sense. It embraces private sector best practice, ensures postal employees derive the benefit of Medicare taxes paid, and minimizes the impact on the Medicare Trust Fund, raising future program spending by less than two-tenths of one percent.

Working in concert with the Postal Service and other stakeholders, NALC will offer a few minor revisions to the discussion draft to protect employees in special circumstances. For example, active employees within a year of age 65 when the proposed new health benefit reforms take effect in January 2023 should be given the option to remain in traditional FEHBP plans (without the requirement to enroll in Medicare Part B) since they would have very little time to adjust their retirement planning based on current law. In addition, a very small number of annuitants (and employees who become annuitants as well as their covered relatives) should be given the option to remain in the traditional FEHBP plans in special circumstances – if they cannot benefit from enrolling in Medicare Part B. For example, retired postal employees who are veterans and who qualify for medical coverage from the Veteran's Administration. Other such alternative coverage should also be grounds for remaining in the traditional plans. Similarly, if covered annuitants live in places (at home or abroad) with no access to Medicare providers, the bill should allow them to remain in federal FEHBP plans instead of the new postal-only plans. It should be noted that the Postal Service would still cover the cost of those allowed to remain in the traditional federal plans, so there is no cost to the taxpayers of these limited exceptions. We hope to reach consensus on these minor revisions by working together with your staff members and with other stakeholders.

As the Committee prepares to take action on postal legislation, it might also consider other proposals to strengthen the Postal Service. Some of these additions might be included in the current discussion draft, while others might be explored in future bills after additional hearings. Let me offer three such areas.

First, the Committee could explore expanding the range of services provided by the Postal Service to include some non-postal services that would meet unmet public needs. In the Cummings-Meadows legislation mentioned above, there was agreement that the USPS retail network could be used to provide state and local government services through negotiated service agreements (NSAs) with such agencies. Given the Postal Service's management of the national change of address system, perhaps it could be used to help local public health authorities to do contact tracing. Or it could be used to issue hunting licenses or assist state governments in other ways. This approach might be extended to other federal agencies as well – just as the USPS now provides Passport Services for the State Department, there may be other services we could provide to federal agencies via NSAs.

Other services to citizens and businesses might be permitted. For example, America's post office network might be used to expand broadband internet access in rural areas. And there is also broad support for allowing the Postal Service to ship beer, wine, and spirits by lifting the Prohibition-era ban on such deliveries.

Second, as NALC first raised years ago, the Postal Service could significantly reduce the cost of its health benefits costs if the assets of the Postal Service Retiree Health Benefit Fund (PSRHBF) were invested more sensibly. Under current law, all funds in the PSRHBF are invested in low-yielding Treasury bonds. Since 2007, the average rate of return on the fund was just 3.7 percent – and in recent years, returns have fallen to between 1.0 and 3.0 percent. If the fund had been invested in a well- balanced portfolio of stock and bond index funds offered by the federal Thrift Savings Plan, the rate of return would have averaged 8.3 percent and surged into double digits in recent years. For the PSRHBF fund alone, the forgone earnings since 2007 have surpassed $45 billion, even after the large losses incurred during the 2008-2009 crash of the financial markets.

Committee member Stephen Lynch has drafted legislation in prior Congresses to allow the investment of some portion of the PSRHBF, for which we are grateful. We believe that this idea deserves renewed attention.

This approach might also be expanded and applied to the postal retirement (CSRS and FERS) accounts in the Civil Service Retirement and Disability Fund. In a recent investment simulation comparing what the three postal retirement funds earned by investing in Treasury bonds since 2007 instead of a balanced portfolio of TSP-style index funds, NALC found that the Postal Service lost an average of $20.0 billion annually in forgone earnings. Poorly investing retirement assets in Treasury bonds raises the cost of retiree pension and health benefits while putting avoidable upward pressure on postage rates and needlessly denying the USPS resources that could be used to improve its infrastructure.

In the coming weeks/months ahead, NALC will share information with the Committee that explores how innovative investment reforms might be legislated to protect the interests of taxpayers, ratepayers, and the Postal Service.

Third and finally, there is the issue of investment in the Postal Service's infrastructure. For years, there has been bipartisan support for a major push to improve the nation's infrastructure, which has steadily deteriorated in quality for decades. The Postal Service is a vital and often overlooked part of our national infrastructure and should be included in this effort. A good place to start is with the Postal Service's outdated vehicle fleet. The USPS recently announced the first steps to procure a replacement fleet for its huge fleet of delivery vehicles.

We urge this Congress to help the Postal Service replace this fleet with mostly electric vehicles with financial assistance. All the major private delivery firms are committed to achieving zero-emission fleets in the next decade or so. USPS should do the same and become a leader in this climate-friendly revolution. President Biden has embraced this policy goal. And Postmaster General DeJoy has made clear that the vehicle recently chosen as the Next Generation Delivery Vehicle was purposely designed to allow for either fossil fuel or electric engines – and that USPS would electrify a majority of its fleet by the end of the decade with the right level of assistance from Congress. We urge the Congress to provide that assistance in an infrastructure package or other relevant legislation – and to invest in charging stations at post offices all over America that can be made available to the public as well. The Postal Service has a long history of facilitating economic innovation, starting with railroads and civil aviation to carry mail, continuing with the creation of mail order merchants like Sears and Montgomery Ward, and most recently by providing the infrastructure for companies like Netflix, Amazon, and e-Bay to innovate and grow. The USPS can be used to promote innovation with an electric vehicle fleet.

In conclusion, NALC appreciates all of the members of the Committee for their participation and passionate views expressed during the hearing. It is unfortunate that post-election partisan division, which was on display during the hearing continues to permeate the Committee and Congress. But we can use the work of postal reform legislation to build unity. The Postal Service is not a partisan institution. Indeed, the Post Office is older than our Constitution and is the ultimate American institution – one with the explicit mission to unify our country.

Last April, Pew Research released its regular poll on federal agencies. It found that the most popular agency in the government was, once again, the U.S. Postal Service – and that, quite remarkably, 91 percent of both Democrats and Republicans have a favorable opinion of the agency. It is a modest bit of common ground – but at least it is a place to start. Let us use postal reform to learn how to work together again and to bring our nation together.