



# Semipostal Stamps: Authorization, Revenue, and Selection Process

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## Summary

Semipostal stamps, postage sold at a premium to raise funds for particular causes, have only recently been authorized by Congress for use in the United States. The Breast Cancer Research Stamp (BCRS) was introduced in July 1998, and as of December 2007, has raised over \$60.1 million to support research in treating breast cancer through distributions to designated agencies. In the 106<sup>th</sup> Congress, the Semipostal Authorization Act of 2000 extended the BCRS two years and authorized the U.S. Postal Service (USPS) to issue other semipostals until 2010. USPS issued regulations inviting public nominations for future semipostals, providing that each can be sold for two years but only one can be on sale at any given time. Subsequent Congresses have further extended the life of the BCRS. Most recently, the 110<sup>th</sup> Congress authorized its sale through December 31, 2011. The breast cancer stamp's success is no guarantee that other semipostals will be equally successful. The "Heroes of 2001" stamp did not sell especially well and was withdrawn from circulation.

## **Contents**

Semipostal Stamps .....	1
The Breast Cancer Research Stamp .....	1
Revenue Raised and Postal Service Costs .....	2
The Semipostal Authorization Act .....	3
Procedures and Criteria for Selecting Semipostal Stamps .....	3
Congress Intervenes to Authorize More Semipostals .....	4
Developments in the 108 <sup>th</sup> , 109 <sup>th</sup> , and 110 <sup>th</sup> Congresses .....	5

## **Contacts**

Author Contact Information .....	6
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## Semipostal Stamps

Semipostal stamps are regular postage stamps that are sold at a surcharge over their postage value.<sup>1</sup> The additional charge is recognized by the stamp purchaser as a voluntary contribution to a designated cause. Europe has a long tradition of using semipostal stamps to raise funds for worthy causes. Some of the causes supported by European semipostals include child health, literacy programs, national sports development, and philately (stamp collecting). The Netherlands, for example, has a tradition in which children go door-to-door to sell semipostals with a 50% surcharge to benefit children's health and welfare causes.

In the United States, however, semipostals are a recent innovation. USPS has long opposed their issuance. While commemorative stamps have from time to time been issued to raise awareness of social or health problems in the nation,<sup>2</sup> USPS was reluctant to get into the fund-raising business. USPS argued that there was a strong tradition of private philanthropy in this country, and "due to the vast number of worthy fund-raising organizations in existence, it would be difficult to single out specific ones to receive [semipostal] revenue."<sup>3</sup> USPS also warned that the administrative costs involved in accounting for sales would tend to outweigh the revenues derived from the surcharge.

Philatelic groups also opposed semipostals. They generally thought that USPS was issuing too many commemorative stamps, with a broader clientele in mind than that of the stamp collector. Semipostals were a departure from the tradition that stamps are for postage. Collectors regarded the semipostal surcharge as a tax on their hobby, and pointed out that unlike other citizens who might be unsympathetic to the cause being supported, they still had to buy the stamp or their collections would be incomplete.

## The Breast Cancer Research Stamp

Despite USPS opposition, Congress authorized a semipostal stamp for the benefit of breast cancer research in 1997. The idea had first been broached by Dr. Ernie Bodai, chief of surgery at the Kaiser Permanente Medical Center in Sacramento, California, a constituent of Representative Vic Fazio. On May 7, 1996, Representative Fazio introduced the first semipostal bill, H.R. 3401, in the 104<sup>th</sup> Congress, as the Breast Cancer Research Stamp Act.

In the 105<sup>th</sup> Congress, Representative Fazio and Representative Susan Molinari of New York sponsored H.R. 1585, the Stamp Out Breast Cancer Act. The bill was agreed to in the House on July 22, 1997, by a vote of 422 to 3, and by unanimous consent in the Senate on July 24, 1997. The measure became law as P.L. 105-41 on August 13, 1997.

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<sup>1</sup> This report originally was written by (name redacted), who has retired from CRS. Readers may contact (name redacted) with questions on semipostal stamps.

<sup>2</sup> For example, an "AIDS Awareness" 29-cent stamp was issued on Dec. 1, 1993; a "Breast Cancer Awareness" 32-cent stamp was issued on June 15, 1996; and a "Prostate Cancer Awareness" 33-cent stamp was issued on May 28, 1999. For a description of the USPS commemorative stamp program, see CRS Report RS20221, *Commemorative Postage Stamps: History, Selection Criteria, and Revenue Potential*, by (name redacted).

<sup>3</sup> Statement of criteria for commemorative stamp subject selection, issued by the Citizens' Stamp Advisory Committee, USPS, 1998.

The Stamp Out Breast Cancer Act directed USPS to establish the special rate as the first class rate plus a differential of up to 25%, with the exact amount to be decided by USPS's Board of Governors. It also directed USPS to issue the stamp within a year, to deduct its "reasonable costs," which would include costs "attributable to printing, sale, and distribution" of the stamps, and to pay the remainder of the surcharge to two designated federal agencies. Seventy percent was to go to the National Institutes of Health (NIH), and the remainder to the Department of Defense (DOD).

The act limited sales of the breast cancer research semipostal (BCRS) to two years from its initial issuance, and directed the Government Accountability Office (GAO) to evaluate the program. GAO has since reported twice on the BCRS,<sup>4</sup> and the Senate Governmental Affairs Committee has held an oversight hearing to review it.<sup>5</sup> GAO's evaluation was that the BCRS "has been an effective fund-raiser," but GAO also said that USPS did not have a good way of tracking its costs to avoid inadvertent subsidy from postal ratepayers.

## Revenue Raised and Postal Service Costs

As of December 31, 2007, according to USPS, over 785 million BCRSs had been sold. The regular postage rate has been raised four times since the stamp was introduced (from 32 to 41 cents), and its cost has gone from 40 to 55 cents. Overall, according to USPS, \$60.1 million has been transferred to NIH and DOD for breast cancer research. NIH has used its money to support pilot studies in the prognosis, prevention, and treatment of breast cancer. DOD has designated the money for awards in biology, immunology, and genetics related to breast cancer.

In 2000, GAO and the USPS Office of Inspector General (USPSOIG) had some differences with USPS over the amount USPS had charged for its "reasonable costs" to be subtracted from the surcharge amount before the net surcharge was turned over to NIH and DOD.<sup>6</sup> Additionally, USPS decided to subtract less than 9% of the BCRS costs it did identify from the surcharge proceeds before turning the rest over to NIH and DOD. USPS's reasoning was that it also stood to recoup most costs from the first-class postage portion of the stamp, since some of the stamps would be retained by the public and not used for postage. In this respect, the BCRS was similar to a "blockbuster" commemorative issue, and "retained revenues" from such issues are a perennial moneymaker for USPS.<sup>7</sup>

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<sup>4</sup> U.S. General Accounting Office, *Breast Cancer Research Stamp: Millions Raised for Research, but Better Cost Recovery Criteria Needed*, GAO/GGD-00-80, Apr. 28, 2000; and *Breast Cancer Research Stamp: Effective Fund-Raiser, but Better Reporting and Cost-Recovery Criteria Needed*, GAO-03-1021, Sept. 30, 2003.

<sup>5</sup> U.S. Congress, Subcommittee on International Security, Proliferation, and Federal Services, Senate Committee on Governmental Affairs, *The Issuance of Semipostal Stamps by the U.S. Postal Service*, 106<sup>th</sup> Cong., 2<sup>nd</sup> sess., S.Hrg. 106-674, May 25, 2000 (Washington: GPO, 2000).

<sup>6</sup> U.S. Postal Service Office of Inspector General, *Review of the Breast Cancer Research Program*, Report RG-AR-00-002 (Washington: USPSOIG, Mar. 31, 2000), pp. 3-4; and U.S. General Accounting Office, *Breast Cancer Research Stamp*, pp. 9-10.

<sup>7</sup> Retained revenues from commemoratives are discussed in CRS Report RS20221, *Commemorative Postage Stamps: History, Selection Criteria, and Revenue Potential*, by (name redacted).

## The Semipostal Authorization Act

The attention given to the breast cancer stamp, and GAO's pronouncement that it was a "success," helped generate interest in other semipostals. Two public opinion surveys commissioned by GAO, in 1999 and 2003, revealed that about 70% of the public would like to see USPS issue more semipostals on a recurring basis.<sup>8</sup> More than a dozen bills were introduced in the 106<sup>th</sup> Congress to authorize the issuance of new semipostals. They would have benefitted causes such as emergency food relief, AIDS research and education, a World War II memorial, protection of vanishing wildlife, and child literacy.

A May 25, 2000, Senate hearing focused on GAO's initial report and on legislative proposals to extend the BCRS and to authorize other semipostals. A USPS witness, Deborah Willhite, Senior Vice President for Government Relations and Public Policy, made it clear that while USPS was proud of the work it did on the BCRS, it still did not favor issuance of other semipostals. She testified that fund-raising was a diversion from USPS's core mission, that the philatelic community opposed semipostals on the grounds that they dilute the quality of the stamp program, but most seriously that choosing among the many worthy causes eager for semipostal revenue would be difficult for the Postal Service.<sup>9</sup> She said that if semipostals were authorized in the future, she hoped Congress would make those choices. Congress chose another approach, however.

The Semipostal Authorization Act cleared the House as H.R. 4437 under suspension of the rules on July 17, 2000, and the Senate by unanimous consent on July 26. The President signed the bill into law (P.L. 106-253; 114 Stat. 634) on July 28, 2000, the day before the Stamp Out Breast Cancer Act was to expire. The act extended the BCRS for two more years, until July 29, 2002, and gave USPS broad authority to issue and sell semipostals for 10 more years "in order to advance such causes as the Postal Service considers to be in the national public interest and appropriate." Other than specifying that the funds raised could go only to federal agencies, the act left broad discretion to USPS in selecting future semipostals. The act also required USPS to use the notice-and-comment regulatory process to propose and then issue a regulation specifying selection criteria, procedures, and any limitations imposed on the issuance of semipostals.

## Procedures and Criteria for Selecting Semipostal Stamps

On June 12, 2001, USPS published a regulation setting forth how it planned to implement its responsibility for the semipostal program (66 F.R. 31822-31828). USPS said it intended to invite nominations from the public for a new semipostal every two years, with no more than one semipostal in circulation at any given time. The Citizens' Stamp Advisory Committee<sup>10</sup> would review the eligible proposals and make recommendations to the postmaster general, who "will act on the recommendations" of the committee. Submissions need to demonstrate that the cause to be

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<sup>8</sup> U.S. General Accounting Office, *Breast Cancer Research Stamp*, p. 23.

<sup>9</sup> Senate Committee on Governmental Affairs, S.Hrg. 106-674, p. 14.

<sup>10</sup> For more information on the committee, see CRS Report RS20221, *Commemorative Postage Stamps: History, Selection Criteria, and Revenue Potential*, by (name redacted).

benefitted “has broad national appeal” and “is in the national public interest and furthers human welfare.” Submissions must be accompanied by an official letter from an executive agency, or up to two agencies, certifying that they are willing and able to implement the proposal and adhere to the conditions set by the act. This requirement in particular suggested that proposals need to be carefully planned and coordinated, and cannot merely be suggestions, as is the case with nominations for commemorative postage stamps. On June 12, 2001, USPS issued a notice of request for proposals for the next two semipostals (66 F.R. 31829). By the August 31, 2001, closing date, 37 valid nominations had been made and accepted, nine of them with what USPS calls “congressional interest.” Most proposed support for medical research and awareness, on such diseases as AIDS, asthma, autism, colorectal cancer, stroke, deafness, Alzheimer’s disease, sickle cell anemia, diabetes, lupus, and prostate cancer. Others focused on childhood abuse and neglect, pollination, missing children, and vanishing wildlife. Former President Jimmy Carter proposed a semipostal for Habitat for Humanity.

## **Congress Intervenes to Authorize More Semipostals**

According to the semipostal stamp program implementing rules (39 C.F.R. Part 551), USPS will not issue other semipostals under the Semipostal Authorization Act of 2000 until after the sales period of the BCRS has ended. The implementing regulations also provide that the Office of Stamp Services will determine the date of commencement of the 10-year period.

Congress, however, has enacted more semipostal stamp legislation. The Treasury-Postal Service Appropriations Act for 2002 (P.L. 107-67) contained three provisions affecting the issuance of semipostal stamps. One provision extended the BCRS expiration date to December 31, 2003, and authorized raising the price of the stamp from 40 cents to 45 cents. A second provision authorized another semipostal, to be issued “as soon as possible,” to assist the families of rescue workers killed or disabled in the terrorist attacks of September 11, 2001. The Federal Emergency Management Agency (FEMA) would administer the funds. USPS announced at a White House ceremony that the “Heroes of 2001” stamp would be issued June 7, 2002, and terminate on December 31, 2004. A third provision authorized issuance of a semipostal to support programs of the Department of Health and Human Services to stop domestic violence, beginning no later than January 1, 2004, and being withdrawn no later than December 31, 2006. The “Stop Family Violence” stamp went on sale October 11, 2003, at a price of 45 cents. This stamp went off the market on December 31, 2006. Over 45 million of these semipostal stamps were sold, raising about \$3 million.

All three of these provisions exempted the stamps from the USPS regulation limiting circulation of semipostals to one at any one time. It is unlikely that USPS would authorize a semipostal under its statutory authority to compete with those authorized directly by Congress, since USPS is well aware that the public could tire of semipostals, as has happened in several other countries. Of the 170 countries that issue stamps, only about 50 issued any semipostals in the 1990s, and only 17 did so on a regular basis. Even fewer had more than one in circulation at a time. Canada, the United Kingdom, and Sweden discontinued the use of semipostals when they became unpopular with the public and competed with other fund-raising activities.<sup>11</sup>

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<sup>11</sup> John M. Hotchner, “Semipostals Should Give Back to the Hobby,” *Linn’s Stamp News*, May 10, 1999.

There is some evidence that the public is losing interest in semipostals. Sales of the BCRS peaked at 121.3 million stamps in FY2000. Sales declined to 83.0 million and 80.1 million in FY2003 and FY2004, rose to 92.6 million in FY2005, then fell to 67.3 million and 65.2 million in FY2006 and FY2007.<sup>12</sup> GAO reported the views of some observers that the large initial sales figures of the “Heroes of 2001” semipostal “were not sustainable because that semipostal did not benefit from the support of a long-established, well-organized, nationwide network of organizations to keep the Heroes semipostal in the public eye,” in contrast to the nationwide support base for the breast cancer stamp.<sup>13</sup> In the last three months of 2004, a period of seasonally heavy mailing, sales of the Heroes semipostal averaged only 1.6 million per month, and sales of the domestic violence semipostal averaged only 967,000. The Heroes stamp was withdrawn from sale when its authorization expired on December 31, 2004. USPS had gradually transferred \$10,174,000 in net proceeds to FEMA by that date. On July 26, 2005, FEMA published its plans to distribute the money (70 F.R. 43214). The application period for the assistance program under the 9/11 Heroes Stamp Act of 2001 started on December 2, 2005, and ended on March 29, 2006.

## **Developments in the 108<sup>th</sup>, 109<sup>th</sup>, and 110<sup>th</sup> Congresses**

In the 108<sup>th</sup> Congress, P.L. 108-199 contained a provision (Division F, Title V, Section 541) amending 39 U.S.C. 414(h) to extend the BCRS until December 31, 2005. Because the bill was not enacted until January 24, 2004, the BCRS was briefly withdrawn from sale early in the year. The 109<sup>th</sup> Congress extended the BCRS until December 31, 2007 (P.L. 109-100; 119 Stat. 2170). The 110<sup>th</sup> Congress extended the BCRS further still, permitting USPS to sell the stamps until December 31, 2011 (P.L. 110-150; 121 Stat. 1820).

On February 9, 2005, the House Committee on Government Reform amended its Rule 19 to discourage the consideration of legislation to authorize new semipostals:

The committee has adopted the policy that the determination of the subject matter of commemorative stamps and new semi-postal issues is properly for consideration by the Postmaster General and that the committee will not give consideration to legislative proposals specifying the subject matter of commemorative stamps and new semi-postal issues. It is suggested that recommendations for the issuance of commemorative stamps be submitted to the Postmaster General.

This rule, now numbered as Rule 20, was retained by the House Oversight and Government Reform Committee in the 110<sup>th</sup> Congress.<sup>14</sup>

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<sup>12</sup> U.S. Government Accountability Office, *U.S. Postal Service: Factors Affecting Fund-Raising Stamp Sales Suggest Lessons Learned*, GAO-05-953 (Washington: GAO, 2005), p. 13. USPS provided data for FY2005 to FY2007 to CRS.

<sup>13</sup> U.S. General Accounting Office, *Breast Cancer Research Stamp*, pp. 24-25.

<sup>14</sup> See <http://oversight.house.gov/rules/>.

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