

July 31, 2015

FY2015 U.S. Postal Service Appropriations and Budget Request

Overview

The U.S. Postal Service (USPS) generates nearly all of its funding—about \$68 billion annually according to the USPS's most recent financial report—by charging users of the mail for the costs of the services it provides. Congress, however, does provide an annual appropriation—about \$70 million—to compensate the USPS for revenue it forgoes in providing free mailing privileges to the blind and overseas voters. In addition, the annual appropriation compensates the USPS for debt it accumulated in the 1990s while providing postal services at below-cost rates to nonprofit organizations.

Congress authorized appropriations for revenue forgone in the Revenue Forgone Reform Act of 1993 (RFRA, P.L. 103-123, Title VII). Additionally, under the Postal Accountability and Enhancement Act (PAEA, P.L. 109-43), funding for both the USPS Office of Inspector General (USPSOIG) and the Postal Regulatory Commission (PRC) must be provided out of the Postal Service Fund.

The Postal Service Fund is a revolving fund that consists largely of revenues generated from the sale of postal products and services. (39 U.S.C. §2003)

The PAEA also requires that the USPSOIG and PRC must submit their budget requests directly to Congress and to the Office of Management and Budget.

The law further requires that the USPSOIG's budget be treated as a component of the USPS's budget, while the PRC's budget, like the budgets of other independent regulators, is treated separately.

Summary of Request and Enacted Appropriations: FY2015

Postal Regulatory Commission

- For FY2015, the PRC and President requested \$15.283 million be transferred from the Postal Service Fund for the PRC. This would have been an increase of about \$1 million over the FY2014 enacted level of \$14.152 million.
- The FY2015 enacted appropriations provides \$14.700 million (via transfer from the Postal Service Fund) for the PRC. This is a \$548,000 increase from the enacted level of \$14.152 million for FY2014.

Payment to the Postal Service Fund for Revenue Forgone

- For FY2015, the USPS and the President requested \$70.371 million for the Postal Service Fund to compensate for revenue forgone in providing free and

reduced mail. This would have been \$380,000 below the FY2014 enacted level of \$70.751 million.

- The FY2015 enacted level for the Postal Service Fund is \$70.0 million. This is a decrease of \$751,000 from the enacted level of \$70.751 million for FY2014.

U.S. Postal Service Office of Inspector General

- For FY2015, the USPSOIG and the President requested \$243.883 million be transferred from the Postal Service Fund for the USPSOIG. This represented an increase of approximately \$2.4 million over the FY2014 enacted level of \$241.468 million.
- The FY2015 enacted appropriations provides \$243.883 million (via transfer from the Postal Service Fund) for the USPSOIG. This is the same amount as requested in the President's budget, and is approximately \$2.4 million more than the FY2014 enacted level.

Table 1 presents the FY2015 request and the FY2014 and FY2015 enacted appropriations for the USPS, PRC and USPSOIG.

Table 1. FY2015 Budget Request and FY2014-FY2015 Appropriations
(millions of dollars)

Agency	FY2014 Enacted	FY2015 Request	FY2015 Enacted
Payment to Postal Service Fund (annual appropriations)	\$70.751	\$70.371	\$70.000
PRC (via transfer from Postal Service Fund)	\$14.152	\$15.283	\$14.700
USPSOIG (via transfer from Postal Service Fund)	\$241.468	\$243.883	\$243.883

Sources: P.L. 113-235, Title V; *The President's Budget for Fiscal Year 2015: Appendix*, <http://www.whitehouse.gov/omb/budget>.

Postal Policy Provisions

Both the President's budget request and the enacted appropriations for FY2015 contained postal policy provisions.

Policy Provisions in the President's Budget Request

The Administration proposed extending three long-standing postal-related appropriations policies:

- free mail for overseas voting and mail for the blind;
- prohibition on using appropriated funds to charge a fee to a child support enforcement agency seeking the address of a postal customer; and
- prohibition on using appropriated funds to consolidate or close small rural and other small post offices.

The Administration also proposed implementing several operational reforms intended to "reduce Postal costs and improve its revenue," such as moving to five-day delivery and shifting to centralized and curbside mail delivery, where appropriate.

Further, the Administration proposed several changes related to how the USPS funds retiree benefits. Under current law (PAEA, P.L. 109-43), the USPS must make 10 years of prefunding payments (FY2007 through FY2016) into the Retiree Health Benefits Fund (RHBF), a fund created pursuant to the PAEA to pay for the future retiree health benefits of current employees. In the FY2015 budget, the Administration proposed several changes to how the USPS calculates, pays, and prefunds its retiree benefits, including

- requiring the Office of Personnel Management to recalculate the USPS's Federal Employee Retirement System balance using USPS's specific demographics, rather than governmentwide demographics, and to return any overpayment to the USPS over a period of two years;
- allowing the USPS to draw upon the RHBF to pay the healthcare insurance premiums for current USPS retirees. Under current law, the USPS may not use funds from the RHBF until FY2017;
- providing the USPS temporary financial relief by reducing the statutorily required prepayments to the RHBF for FY2014, FY2015, and FY2016;
- restructuring the USPS's existing RHBF payments schedule beginning in FY2017; and
- codifying the missed RHBF payments from FY2012 and FY2013 (totaling approximately \$16.7 billion). If such a provision were enacted, the USPS would no longer be

required to make the prefunding payments that it missed in FY2012 and FY2013.

The President's Budget stated that, "[t]ogether, these reforms would set USPS on a sustainable business path, providing it with over \$20 billion in cash relief, operational savings and revenue through 2016, and yield an estimated PAYGO savings of \$38 billion over 11 years."

Policy Provisions in the Postal Service's FY2015 Enacted Appropriations

The USPS's enacted appropriations for FY2015 renewed the same three long-standing appropriations policies listed in the President's budget request:

- free mail for overseas voting and mail for the blind;
- prohibition on using appropriated funds to charge a fee to a child support enforcement agency seeking the address of a postal customer; and
- prohibition on using appropriated funds to consolidate or close small rural and other small post offices.

Unlike the President's budget request, the enacted appropriations also renewed the long-standing provision requiring the USPS to continue six-day mail delivery.

In addition, the accompanying explanatory statement

- encouraged the USPS to complete additional required impact analysis and conduct outreach to affected communities prior to moving forward with its plans to consolidate up to 82 mail processing facilities; and
- directed the Postmaster General to submit a report to the Appropriations Committee on "steps the United States Postal Service (USPS) will take in fiscal year 2015 to improve postal worker safety."

For further information, see

- CRS Report RS21025, *The Postal Revenue Forgone Appropriation: Overview and Current Issues*, by Kevin R. Kosar;
- CRS Report R43162, *The U.S. Postal Service's Financial Condition: A Primer*, by Daniel J. Richardson; and
- CRS Report R43349, *U.S. Postal Service Retiree Health Benefits and Pension Funding Issues*, by Kirstin B. Blom and Katelin P. Isaacs.

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