104TH CONGRESS 1st Session | HOUSE OF REPRESENTATIVES | REPORT 104–174

REPEAL OF THE AUTHORIZATION FOR CERTAIN TRANSITIONAL APPROPRIATIONS FOR THE UNITED STATES POSTAL SERVICE

JULY 10, 1995.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. CLINGER, from the Committee on Government Reform and Oversight, submitted the following

REPORT

[To accompany H.R. 1826]

[Including cost estimate of the Congressional Budget Office]

The Committee on Government Reform and Oversight, to whom was referred the bill (H.R. 1826) to repeal the authorization of transitional appropriations for the United States Postal Service, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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SHORT SUMMARY OF LEGISLATION

H.R. 1826, "The Repeal of the Authorization for Certain Transitional Appropriations for the United States Postal Service," repeals the authorization for the appropriation provided under 39 U.S.C.

99–006

2004 to the Postal Service Fund. This appropriation serves as reimbursement for payments to the Employee Compensation Fund based on obligations incurred by its predecessor, the former Post Office Department.

H.R. 1826 does not relieve the United States Postal Service ("U.S. Postal Service") from having to reimburse the Employee Compensation Fund. The financial obligations of the former Post Office Department pertaining to the Employee Compensation Fund, under H.R. 1826, become those of the U.S. Postal Service and the Postal Service Fund. Enactment of this legislation will not affect payments made to individuals receiving benefits from the Employee Compensation Fund. Under H.R. 1826, the U.S. Postal Service simply would be required to make payments for employees of the former Post Office Department to the Department of Labor without Federal reimbursement as it now does for its current employees.

I. Background and Need for the Legislation

A. LEGISLATIVE HISTORY

Under House Concurrent Resolution 67, which established the congressional budget for the United States Government for fiscal years, 1996–2002, the Committee on Government Reform and Oversight ("The Committee") was instructed to generate total savings in mandatory spending of $212 million and discretionary spending of $4.45 billion by Fiscal Year 2002. To achieve this reduction in mandatory spending, the Committee recommends the repeal of the Transitional Appropriations for the U.S. Postal Service. This action would produce on-budget savings of approximately $37 million in each fiscal year from 1996 through 2002.

5 U.S.C. 8147 established an account within the U.S. Treasury, the Employee Compensation Fund, to pay workers' compensation and other benefit claims of Federal Government employees. Upon enactment of the Postal Reorganization Act, a method was implemented for the U.S. Postal Service to reimburse the fund for the claims of its employees.

The Postal Reorganization Act of 1970, P.L. 91–375, however, provided that such liabilities of the former Post Office Department were not the liabilities of the U.S. Postal Service. Since its inception, the U.S. Postal Service has requested an annual appropriation pursuant to 39 U.S.C. 2004 to reimburse its contributions to the Employee Compensation Fund and offset the accrued annual leave benefits of former Post Office Department employees. The intent of Congress was to protect the U.S. Postal Service from the financial liabilities of the former Post Office Department.

Prior to 1981, appropriation requests for Transitional Appropriations were approved on an annual basis. However, the Omnibus Budget Reconciliation Act of 1981, P.L. 97–35 deferred funding for most of the 1980's, with the exception of fiscal year 1985. For Fiscal Year 1985, appropriations reimbursed the U.S. Postal Service for the deferred liabilities of fiscal years 1982, 1983 and 1984 (P.L. 98–473). That Act also halted the appropriation to the U.S. Postal Service for the accrued annual leave liabilities of former Post Office Department employees. Since that time, the Transitional Appropriation request of the U.S. Postal Service has reflected only liabilities to the Employee Compensation Fund. With the exception of an appropriation in the amount of $1,000.00 in Fiscal year 1988, no Transitional Appropriations were provided to the U.S. Postal Service during the period Fiscal Year 1986 through Fiscal Year 1989.

From the introduction of the Postal Reorganization Act of 1970 and throughout its consideration, Congress intended for the U.S. Postal Service to be self-financing and self-sustaining. Indeed, many amendments passed by Congress in recent years have moved the U.S. Postal Service towards that goal, beginning with the removal of the U.S. Postal Service from the Federal budget with the enactment of the Omnibus Budget Reconciliation Act of 1989, P.L. 101–239.

Congress has also substantially varied the amount and nature of appropriations provided to the U.S. Postal Service. Originally, three appropriations were authorized: Transitional; Public Service, which underwrites the operation of certain, less cost-efficient, public services such as six-day mail delivery and smaller post offices; and Revenue Foregone, allowing lower rates for nonprofit mailers.

In 1985 the U.S. Postal Service voluntarily curtailed its request for a Public Service appropriation. In 1993, Congress significantly amended the formula for funding the Revenue Foregone authorization (P.L. 103–123). With the exception of Revenue Foregone, the cessation of the Transitional Appropriation will end federal subsidies to the Postal Service. Finally, the U.S. Postal Service will have attained its longstanding goal of self-sufficiency.

B. NEED FOR LEGISLATION

The Committee recognizes the significant progress the U.S. Postal Service has made in the twenty-five years following enactment of the Postal Reorganization Act. As this organization has evolved from a taxpayer-subsidized executive branch department to a ratepayer-financed government corporation, the U.S. Postal Service has slowly weaned itself from an annual appropriation in its effort to reach and sustain financial self-sufficiency. In testimony before the Subcommittee on the Postal Service on June 28, 1995, Postmaster General Marvin Runyon emphasized the current sound financial foundation of the Postal Service, providing fiscal data evincing a record net income of $1.5 billion for the first nine months of Fiscal Year 1995.

This bright financial outlook and fiscal surplus of the U.S. Postal Service contrasts markedly with the budget profile of the U.S. Government. The Committee advocates a shared sacrifice among all agencies that encompass the broad spectrum of the Federal Government. Elimination of the authorization of the Transitional Appropriation both assists the Federal Government in balancing its budget and is consistent with the intent of Congress that the U.S. Postal Service be financially self-sufficient when it passed the Postal Reorganization Act of 1970.

The Committee believes enactment of H.R. 1826 will have no discernable impact on postal finances, delivery and service. A review of the legislative history of the Transitional Appropriation reveals that Congress routinely denied the U.S. Postal Service's request for reimbursement of these expenses during the most of the previous decade. In addition, the amount of the Transitional Appropriation, estimated to be $36.8 million for Fiscal Year 1996, is less than one percent of estimated operating expenses of the Postal Service. Moreover, the U.S. Postal Service already incurs workers compensation costs in excess of $500 million annually. The addition of this small liability to that amount will in no way affect the overall fiscal stability of the U.S. Postal Service or its operations and service.

The Committee recognizes that deficit reduction is never painless and that commitments of taxpayer money made by previous Congresses must, at times, be modified to reflect current fiscal concerns. However, the obligation that H.R. 1826 places on the U.S. Postal Service is neither unfairly burdensome nor inconsistent with past actions. The Committee notes that enactment of H.R. 1826 will not alter the level of benefits paid to beneficiaries of the fund. In addition, it will serve to consolidate and streamline a bifurcated workers compensation financing system which will be more responsibly funded by rate-payer revenues rather than taxpayer subsidies in the future. Consequently, the Committee no longer finds a compelling reason to continue to authorize this appropriation and feels that enactment of H.R. 1826 will advance the twin goals of prudent deficit reduction and financial self-sufficiency for the U.S. Postal Service.

II. Legislative Hearings and Committee Actions

H.R. 1826 was introduced on June 13, 1995 by the Honorable John M. McHugh, Chairman, Subcommittee on the Postal Service. The bill was referred to the Committee on Government Reform and Oversight. The Subcommittee on the Postal Service, during a series of general oversight hearings of the Postal Service, held a markup on the bill on June 20, 1995. No amendments were offered and the measure was ordered favorably forwarded to the full Committee by a voice vote. On June 21, 1995, the Committee on Government Reform and Oversight met to consider H.R. 1826, favorably reporting the bill to the full House by voice vote and without amendments.

III. Committee Hearings and Written Testimony

The Subcommittee on the Postal Service held no formal hearings on H.R. 1826. However, the Subcommittee has held and will continue to hold a series of general oversight hearings on the U.S. Postal Service.

IV. Explanation of the Bill

a. overview

The bill eliminates the authorization for appropriation to the U.S. Postal Service for reimbursement for workers compensation liabilities incurred by the former Post Office Department. The elimination of this funding will result in the Postal Service assuming the liabilities for these payments to the Employee Compensation Fund, within the Department of Labor, providing payments made to employees of the former Post Office Department.

Under the existing framework, the Department of Labor assesses the U.S. Postal Service for claims to both its employees and those of the former Post Office Department. The U.S. Postal Service pays for its own employees and requests funding from Congress for the amount attributable to former Post Office Department employees.

H.R. 1826 simply removes the Federal Government and Congress from the equation, directing that the employees of the former Post Office Department be treated the same as the current employees of the U.S. Postal Service for purposes of the Employee Compensation Fund.

B. SECTION BY SECTION ANALYSIS

Section 1. Repeal

Section 1 repeals Section 2004, of title 39 United States Code and amends Section 2003 by adding at the end further clarification that liabilities formerly paid pursuant to Section 2004 remain liabilities payable by the United States Postal Service. It also makes the necessary technical corrections.

Section 2. Effective date

Section 2 states that these amendments shall take effect on the date of enactment or October 1, 1995, whichever is later.

V. COMPLIANCE WITH RULE XI

Pursuant to rule XI, clause 2(l)(3) of the Rules of the House of Representatives, under the authority of rule X, clause 2(b)(1) and clause 3(f), the results and findings from committee oversight activities are incorporated in the bill and this report.

VI. BUDGET ANALYSIS AND PROJECTIONS

This Act provides for no new authorization, budget authority or tax expenditures. Consequently, the provisions of section 308(a) of the Congressional Budget Act are not applicable.

VII. COST ESTIMATE OF THE CONGRESSIONAL BUDGET OFFICE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 23, 1995.

Hon. WILLIAM F. CLINGER, Jr.,
Chairman, Committee on Government Reform and Oversight, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1826, a bill to repeal the authorization of transitional appropriations for the United States Postal Service, and for other purposes.

Enactment of H.R. 1826 would affect direct spending. Therefore pay-as-you-go procedures would apply to the bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM
(For June E. O'Neill).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 1826.

2. Bill title: A bill to repeal the authorization of transitional appropriations for the United States Postal Service, and for other purposes.

3. Bill status: As ordered reported by the House Committee on Government Reform and Oversight on June 21, 1995.

4. Bill purpose: Under current law, the United States Postal Service (USPS) receives a mandatory appropriation for compensation to individuals who sustained injuries while employed by the former Post Office Department. H.R. 1826 would terminate this annual payment, effective October 1, 1995, or upon enactment, whichever is later.

5. Estimated cost to the Federal Government: CBO estimates that enacting H.R. 1826, by repealing the mandatory appropriation, would reduce on-budget direct spending by about $37 million annually, beginning in fiscal year 1996. But the USPS would have to continue to pay the costs that have been covered by the appropriation out of its own revenues. Thus, H.R. 1826 would cost the USPS, an off-budget agency about $37 million annually. Consistent with CBO's projections, we expect that the USPS would recover the additional cost of the transitional expenses by raising postal rates, which we assume will occur in late 1997. The net budgetary impact, combining on-budget and off-budget effects, would be zero for 1996, savings of about $9 million in 1997, and savings of about $37 million annually for fiscal years 1998 through 2000. The following table summarizes the estimated budgetary impact of H.R. 1826.

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
On-Budget Impact:					
Estimated budget authority	−37	−37	−37	−37	−36
Estimated outlays	−37	−37	−37	−37	−36
Off-Budget Impact:					
Estimated budget authority	37	28	0	0	0
Estimated outlays	37	28	0	0	0
Net Budgetary Impact:					
Estimated budget authority	0	−9	−37	−37	−36
Estimated outlays	0	−9	−37	−37	−36

The budgetary effects of this bill fall within budget function 370.

6. Comparison with spending under current law: In fiscal year 1995, appropriations for USPS transitional expenses were about $38 million. Those appropriations would be eliminated under this bill.

7. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or re-

ceipts through 1998. Because this legislation would affect direct spending, pay-as-you-go procedures would apply to the bill. The pay-as-you-go impact consists of estimated savings of about $37 million each year for fiscal years 1996–1998. Because the USPS spending is off-budget, its increased costs for 1996–1997 are not counted for pay-as-you-go purposes. The pay-as-you-go effects are summarized in the following table.

[By fiscal year, in millions of dollars]

	1995	1996	1997	1998
Change in outlays	0	−37	−37	−37
Change in receipts	([1])	([1])	([1])	([1])

[1] Not applicable.

8. Estimated cost to State and local governments: None.
9. Estimated comparison: None.
10. Previous CBO estimate: None.
11. Estimate prepared by: Mark Grabowicz.
12. Estimate approved by: Robert A. Sunshine for Paul N. Van de Water, Assistant Director for Budget Analysis.

VIII. Inflationary Impact Statement

In accordance with rule XI, clause 2(l)(4) of the Rules of the House of Representatives, this legislation is assessed to have no inflationary effect on prices and costs in the operation of the national economy.

IX. Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 39, UNITED STATES CODE

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PART III—MODERNIZATION AND FISCAL ADMINISTRATION

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CHAPTER 20—FINANCE

Sec.
2001. Definitions.

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【2004. Transitional appropriations.】

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§ 2003. The Postal Service Fund

(a) * * *

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(e)(1) * * *

(2) Funds appropriated to the Postal Service under [sections 2401 and 2004] *section 2401* of this title shall be apportioned as provided in this paragraph. From the total amounts appropriated to the Postal Service for any fiscal year under the authorizations contained in [sections 2401 and 2004] *section 2401* of this title, the Secretary of the Treasury shall make available to the Postal Service 25 percent of such amount at the beginning of each quarter of such fiscal year.

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(h) Liabilities of the former Post Office Department to the Employees' Compensation Fund (appropriations for which were authorized by former section 2004, as in effect before the effective date of this subsection) shall be liabilities of the Postal Service payable out of the Fund.

[§ 2004. Transitional appropriations

[Such sums as are necessary to insure a sound financial transition for the Postal Service and a rate policy consistent with chapter 36 of this title are hereby authorized to be appropriated to the Fund without regard to fiscal-year limitation.]

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X. Committee Recommendation

On June 21, 1995, a quorum being present, the Committee ordered the bill favorably reported.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT—104TH CONGRESS ROLLCALL

Date: June 21, 1995.

Final Passage of H.R. 1826.

Offered by: Mr. McHugh.

Voice Vote: Ayes.

Vote by Members: Mr. Clinger—Aye; Mr. Gilman—Aye; Mr. Burton—Aye; Mr. Hastert—Aye; Mrs. Morella—Aye; Mr. Shays—Aye; Mr. Schiff—Aye; Ms. Ros-Lehtinen—Aye; Mr. Zeliff—Aye; Mr. McHugh—Aye; Mr. Horn—Aye; Mr. Mica—Aye; Mr. Blute—Aye; Mr. Davis—Aye; Mr. McIntosh—Aye; Mr. Fox—Aye; Mr. Tate—Aye; Mr. Chrysler—Aye; Mr. Gutknecht—Aye; Mr. Souder—Aye; Mr. Martini—Aye; Mr. Scarborough—Aye; Mr. Shadegg—Aye; Mr. Flanagan—Aye; Mr. Bass—Aye; Mr. LaTourette—Aye; Mr. Sanford—Aye; Mr. Ehrlich—Aye; Mrs. Collins (IL)—Aye; Mr. Waxman—Aye; Mr. Lantos—Aye; Mr. Wise—Aye; Mr. Owens—Aye; Mr. Towns—Aye; Mr. Spratt—Aye; Mrs. Slaughter—Aye; Mr. Kanjorski—Aye; Mr. Condit—Aye; Mr. Peterson—Aye; Mr. Sanders—Aye; Mrs. Thurman—Aye; Mrs. Maloney—Aye; Mr. Barrett—Aye; Mr. Taylor—Aye; Ms. Collins (MI)—Aye; Ms. Norton—Aye; Mr. Moran—Aye; Mr. Green—Aye; Mrs. Meek—Aye; Mr. Mascara—Aye; Mr. Fattah—Aye; Mr. Brewster—Aye.

XI. Congressional Accountability Act; Public Law 104–1; Section 102(B)(3)

This provision is inapplicable to the legislative branch because it does not relate to any terms or conditions of employment or access to public services or accommodations.

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