**H.R. 5714 – The Postal Service Reform Act of 2016**

The House Oversight and Government Reform Committee approved H.R. 5714 by voice vote on July 12, 2016. The Committee has requested that the Congressional Budget Office determine the cost to implement this legislation and to have that estimate available when the House reconvenes in September. This cost estimate will have a major impact on the legislation’s future consideration during the remainder of this 114th Congress.

The legislation seeks to put the United States Postal Service on a firmer financial foundation by refinancing USPS prefunding payments to the federal government for the retirement and health care benefits of postal employees; requiring that postal retirees use Medicare as their primary health carrier; allows USPS to raise first class mail rates by 1 cent to make up for the rate decrease in April; and gives the Postal Rate Commission the ability to adjust other postal rates.

H.R. 5714 authorizes the Postal Service’s to provide a new range of non-postal services to state, local and tribal governments and other federal agencies. It also creates a new position of Chief Innovation Officer to manage the Postal Service’s development and implementation of innovative postal and non-postal products and services. The current nine-member Board of Governors would be reduced to five, with authority to hire, hire and set salary for PMG & Deputy PMG.

The legislation would provide clear guidance to the Postal Service on notification requirements to communities that would be impacted by the closure of postal facilities, and requires an analysis of specific factors to be considered as part of any closure decisions.

Finally, the bill requires the incremental conversion to the centralized delivery of business mail over a five-year period and a process to convert residential door delivery to cluster box delivery, curbside delivery, or sidewalk delivery.

Below is a more detailed summary of this legislation:

# TITLE I – POSTAL SERVICE BENEFITS REFORM

## Postal Service Health Benefits Program

* Establishes separately rated postal plans within the Federal Employees Health Benefits Program (FEHBP) beginning in January 2018.
* FEHBP carriers currently insuring at least 1,500 postal employees and retirees, as well as any other carriers may offer postal plans.
* Almost all postal employees and retirees who elect coverage through FEHBP must enroll in one of the postal FEHBP plans.
* Medicare eligible Postal Service retirees and family members are automatically enrolled in Medicare Part A and B.
* The Postal Service will cover a decreasing portion of the Medicare Part B premium for current retirees transitioned into Medicare as a result of the legislation over a 4-year transition period: 75% in the first year; 50% in the second year; 25% in the third year; and 0% in the fourth year.

## Postal Service Retiree Health Care Benefit Funding Reform

* Requires the Postal Service to make actuarially-based Retiree Health Benefit (RHB) prefunding payments to cover 100% of the cost of the Postal Service’s RHB liability within 40 years.
* Addresses the prefunding schedule established in the Postal Accountability and Enhancement Act of 2006.

## Postal Service Pension Funding Reform

* Calculates the Postal Service’s pension costs and liabilities using the salary growth and demographic assumptions that are specific to the Postal Service population instead of the government-wide population, as in current law.
* Any surplus within the Postal Service’s Civil Service Retirement System or Federal Employees Retirement System accounts must be amortized over 30 years and returned to the Postal Service.

**TITLE II – POSTAL SERVICE OPERATIONS REFORM**

## Governance Reform

* Establishes a Presidentially-appointed, Senate confirmed 5-member Board of Governors (Board) with 7-year terms. (Current Board is 9 members.)
* The Board set the strategic direction of postal operations, acts as an advisor for the Postmaster General (PMG), approves pricing and product strategy, sets the compensation for the PMG and Deputy PMG and has the authority to appoint, fix the term of and remove the PMG or Deputy PMG.
* Requires the Postal Regulatory Commission (PRC) to pay the Department of State’s costs of negotiating international postal rates.
* Clarifies the PRC’s existing authority to levy fines against the Postal Service, payable to the U.S. Treasury for deliberate noncompliance with the provisions of title 39.

## Conversion to Secure, Centralized Delivery

* Requires the incremental conversion over five years to centralized delivery of business addresses identified by the Postal Service.
* Requires the voluntary conversion to centralized or cluster box delivery of residential addresses identified by the Postal Service where 40% of the residents consent to conversion.
* Maintains door delivery of mail for residents who do not consent to voluntary conversion; however, any future or new residents of an area that has been converted will receive the converted delivery type.
* A conversion waiver is allowed in cases of physical hardship.

## Postal Rates

* Allows the Postal Service to increase postal rates for market-dominant products by 2.15%, or 1 cent for a First-Class stamp.
* Requires the PRC to complete its full review of the market-dominant rate system by January 1, 2018.  Establishes priority factors for consideration in the PRC’s rate review, including the Postal

Service’s financial stability, the effect of rate increases upon users of the mail, the reliability of delivery timelines and service standards, the available alternative means of communicating and sharing information, and the requirement that all costs incurred are appropriately covered by the revenue from the product for which they were incurred.

* Eliminates state and national political committees’ eligibility for non-profit mail rates.
* Directs the Postal Service to raise rates on loss-making monopoly products, subject to certain overall rate increase limitations.

## Non-postal Services

* Authorizes the Postal Service to provide non-postal services to state, local, and tribal governments and other federal agencies.
* Requires public notice and comment and approval by Board of Governors before the Postal Service offers such service.
* Requires the Postal Service to submit an annual report to the PRC analyzing the costs, revenues, rates, and quality of service for each non-postal service agreement.
* Requires the PRC to allow for public comment on the Postal Service’s report.
* The PRC must then make a compliance determination and noncompliance constitutes failure of the price charged for the service to fully cover the Postal Service’s costs.
* In case of noncompliance, the PRC shall prescribe remedial action to the Postal Service. The PRC may order the Postal Service to discontinue a non-postal service if the Postal Service persistently fails to meet cost coverage requirements.

## Fair Stamp-Evidencing Competition

* Requires the Postal Service to abide by the same regulations it requires of private companies when offering metered postage systems that create individual postage labels for letters or packages.

## Efficient and Flexible Universal Postal Service

* Requires the Postal Service to consider additional factors when evaluating whether or not to close a post office: distance to next post office, characteristics of the location, including weather and terrain, and the availability of broadband.
* Shortens the deadline for the PRC to review the Postal Service’s decision to close or consolidate a post office from 120 to 60 days.
* Allows communities the opportunity to provide input on their preference as to the closing or consolidation or alternative options for access to postal services.
* Allows for appeals regarding the closing or consolidation of post office stations and post office branches.

## Review of Postal Service Cost Allocation Guidelines

* Requires the PRC to conduct a one-time review of the Postal Service’s cost allocation methodologies.

# TITLE III – POSTAL SERVICE PERSONNEL

## Chief Innovation Officer

* Requires the Postal Service to establish and appoint a Chief Innovation Officer to manage the Postal Service’s development and implementation of innovative postal and non-postal products and services.

## Inspector General of the Postal Community

* Consolidates the Postal Service and the PRC Offices of Inspector General into a newly established Inspector General for the Postal Community.

## MSPB Appeal Rights

* Provides non-bargaining, non-supervisory employees access to the Merit Systems Protection Board.

# TITLE IV – POSTAL CONTRACTING REFORM

## Contracting Reforms

* Requires the Postal Service and PRC to issue a policy on the delegation of contracting authority, post noncompetitive contract awards meeting certain dollar value thresholds, and improve oversight and response to potential conflicts of interest regarding contracting.

**The Process Moving Forward**

The House members who worked together to develop this legislation did so in a bipartisan manner with two Republicans (Jason Chaffetz [R-UT] and Mark Meadows [R-NC]) teaming up with three Democrats (Elijah Cummings [D-MD], Gerry Connolly [D-VA], and Stephen Lynch [D-MA]). Your AUSPL leadership has met with these leaders and their staffs regularly over the past 18 months that this legislation has been under development.

Your leadership also was invited to participate in a roll-out of the draft legislation in June and were asked to comment on the proposal. They did so with the attached letter that was sent to all five members. AUSPL was one of 50 organizations to comment on the pending bill.

The hope of this bipartisan group is that the Congressional Budget Office will review the legislation and determine that it puts the U.S. Postal Service on a firm financial footing without impacting the federal budget deficit. If that is indeed the case, the House Oversight Committee will ask for legislative time in this House this September to attempt to pass this legislation with a strong bipartisan vote.

The matter will then fall to the Senate, where Senator Tom Carper (D-DE) has introduced an even more comprehensive postal reform bill. Given the short window for the consideration of legislation before and after the November elections, it is doubtful that the Senate will act on either bill this year.

This legislative exercise is important, however, because it can set the stage for the early consideration of this matter when the 115th Congress convenes next January. The House and Senate bills would have to be reintroduced in the new Congress and there would be opportunities for AUSPL to make additional comments and suggestions.

Your leadership team is concerned about the process outlined in the House bill related to the process for considering the closure of post offices. They believe that additional factors should be taken into consideration, especially for facilities located in rural areas.

They also would like to see post office boxes clearly spelled out as an alternative to cluster boxes in the section of the bill that seeks to convert mail delivery to a more secure and centralized system that includes cluster boxes, curb delivery and street delivery.

Finally, they believe that any postal reform bill must clearly specify delivery standards for the Postal Service. First class delivery has slowed in many parts of the country and the House legislation does not address the issue. The Senate bill does.

In the end, the House leadership is looking for support from AUSPL members to move the legislative process along to the Senate and begin the long overdue process of putting the U.S. Postal Service on a firm financial foundation that will stabilized postal operations and reduce the demand for the closure of postal facilities.