



Congress of the United States

House of Representatives

Washington, DC 20515

December 23, 2008

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H232 Capitol
Washington, D.C. 20515

Dear Madam Speaker:

We are writing to request that the text of H.R. 7313, introduced on December 9, 2008, be included in the economic stimulus package currently being developed. This bill would assist the U.S. Postal Service to address its serious financial constraints and would serve to protect existing Postal Service jobs.

Challenging economic conditions are reducing mail volume substantially. The Postal Service lost 9 billion pieces of mail in FY2008. In addition, Congress statutorily required the Postal Service to begin pre-funding its retiree health benefits obligation in 2006 and this requirement is also placing a tremendous burden on the Postal Service.

The payment schedule statutorily mandated by the Postal Accountability and Enhancement Act of 2006 (PAEA) requires the Postal Service to make an annual payment ranging from \$5.4 to \$5.8 billion from 2007 to 2016. In addition, under PAEA, the Postal Service makes a separate payment to the Office of Personnel Management (OPM) for its annual retiree health benefit premiums until 2016.

Based on our conversations with the Postmaster General, it is clear that the Postal Service understands that it must constrain costs. The Postal Service reduced the number of employees by more than 100,000; offered a voluntary early retirement to virtually every employee in the Postal Service; and is exploring a variety of ways to consolidate its processes to achieve efficiency while maintaining service. However, the Postal Service's fixed network costs cannot be reduced immediately.

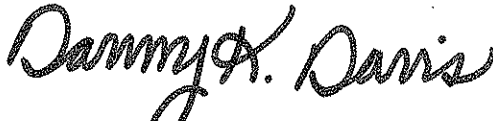
To address the Postal Service's immediate financial distress, we believe Congress should amend the PAEA to leave the ten-year PAEA payment stream intact, but allow the Postal Service to pay its retiree health premiums out of the Retiree Health Benefit Trust Fund (RHBF), rather than make a separate payment to OPM. This option would simply accelerate a provision in PAEA, which states that after 2016, premium payments would no longer be paid separately, but would be drawn from the RHBF. We would note that at the end of FY2008, the RHBF had a balance of roughly \$32 billion, so the goal of pre-funding retiree health benefits would continue.

This change would ease the financial pressure while the Postal Service pursues the long-term actions necessary to address the network costs. It would also reduce the need for the Postal Service to borrow money from the Treasury for the sole purpose of depositing that money into the RHBF.

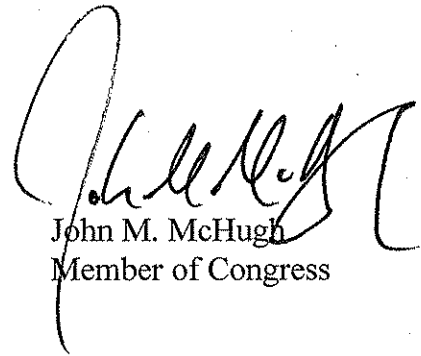
Thank you again for your consideration of this request and please do not hesitate to contact us if you need additional information.

With best wishes, we are

Sincerely yours,



Danny K. Davis
Member of Congress



John M. McHugh
Member of Congress

Enclosure: H.R. 7313

110TH CONGRESS
2D SESSION

H. R. 7313

To amend chapter 89 of title 5, United States Code, to allow the United States Postal Service to pay its share of contributions for annuitants' health benefits out of the Postal Service Retiree Health Benefits Fund.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 9, 2008

Mr. MCHUGH (for himself and Mr. DAVIS of Illinois) introduced the following bill; which was referred to the Committee on Oversight and Government Reform

A BILL

To amend chapter 89 of title 5, United States Code, to allow the United States Postal Service to pay its share of contributions for annuitants' health benefits out of the Postal Service Retiree Health Benefits Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. GOVERNMENT CONTRIBUTIONS FOR POSTAL**
4 **ANNUITANTS' HEALTH BENEFITS.**

5 (a) IN GENERAL.—Section 8906(g)(2)(A) of title 5,
6 United States Code, is amended by striking “shall through
7 September 30, 2016, be paid by the United States Postal
8 Service, and thereafter”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall be effective as of October 1, 2008.

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