



# HOUSE COMMITTEE ON **OVERSIGHT AND REFORM**

CHAIRWOMAN CAROLYN B. MALONEY AND RANKING MEMBER JAMES COMER

## Postal Service Reform Act of 2021

**Urgent Need for Reform:** The Postal Service incurred its fourteenth consecutive net annual loss in 2020. Even if the Postal Service continues to default on mandated payments, it would likely run out of cash to fund its operations prior to 2024.

The Postal Service funds the universal mail service it provides to nearly 159 million delivery points solely through the sale of postage. The Postal Service adds one million new delivery points every year, even as mail volume continues to fall. This means it must deliver less and less mail to more and more places. In addition, several congressional mandates imposed when mail volume was at its peak put the Postal Service on the road to insolvency. The Postal Service is required to pre-fund the health care costs of its employees, regardless of whether they actually serve until retirement. The Postal Service is also required to fund its pension liabilities at a much higher level than the rest of the federal government. To conserve cash, the Postal Service has defaulted on retiree health care payments since 2012.

### Key Reforms in the Postal Service Reform Act of 2021

- **Medicare Integration:** The Postal Service Reform Act of 2021 would require future Postal Service retirees, who have been paying into Medicare their entire careers, to enroll in Medicare. Currently, roughly a quarter of postal retirees do not enroll in Medicare even though they are eligible. This means the Postal Service is stuck paying far higher premiums than any other public or private sector employer. By more closely integrating Medicare, the Postal Service estimates it could save approximately \$22.6 billion over 10 years.
- **Eliminating the Requirement to Prefund Retiree Health Benefits:** The Postal Service Reform Act of 2021 would eliminate the requirement that the Postal Service pre-fund retiree health benefits for all current and retired employees for 75 years in the future. No private company or other federal government entity is required to comply with such a burdensome requirement. The Postal Service estimates this provision would drastically reduce its prefunding liability and allow it to save roughly \$27 billion over 10 years.
- **Service Performance Transparency:** The Postal Service Reform Act of 2021 would require the Postal Service to develop a public-facing, online dashboard with national and local level service performance data updated each week to provide additional transparency and promote compliance with on-time delivery of mail.
- **Six-Day Integrated Delivery:** The Postal Service Reform Act of 2021 would require the Postal Service to deliver both mail and packages at least six days per week across an integrated network.
- **Non-Postal Services:** The Postal Service Reform Act of 2021 would allow the Postal Service to enter into agreements with State, local, and tribal governments to provide non-commercial

property and services that provide enhanced value, do not detract from core postal services, and provide a reasonable contribution to Postal Service institutional costs.

### **Additional Provisions included in the Postal Service Reform Act of 2021**

In addition to the provisions listed above, the bill includes the following provisions to improve the effectiveness of the Postal Service:

- The expansion of special rates for local newspaper distribution to promote local news organizations;
- A Postal Regulatory Commission (PRC) review of cost attribution guidelines for different Postal Service products to ensure pricing accuracy and better accounting;
- Increased funding autonomy and control for the Postal Regulatory Commission to increase its budgetary resources commensurate with its mission of regulating the Postal Service, and to shield the PRC from government shutdowns;
- A study on operational inefficiencies in Postal Service flats and magazine processing;
- Regular congressional reporting on Postal Service operations and financial performance to enable accountability of stated cost savings, revenue, and infrastructure investment goals;
- Adjustments to the considerations the Postal Service must make when deciding which mode of transportation to use to deliver mail in order to ensure greater consistency and reliability; and
- The consolidation of the PRC's small Inspector General Office into the more robust Postal Service Office of Inspector General.