

Statement Submitted for the Record
of the
House Subcommittee on Government Operations
by
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On behalf of the nearly 300,000 active and retired members of the National Association of Letter Carriers (NALC), which represents letter carriers employed by the United States Postal Service (USPS) in every congressional district in America, I submit this statement for the record of the Subcommittee's March 17 hearing on the Postal Service's financial future under Postmaster General David Steiner.

NALC appreciates the Subcommittee's continued attention to the Postal Service's financial situation, particularly as the long-term impacts of legislated financial constraints will soon come to a head. Securing the Postal Service's financial stability is critically important and a goal all postal stakeholders share. However, any plans to do so by reducing service for the American people or harming the hardworking letter carriers and postal employees who provide this service is counter to this goal.

While the Postal Service has experienced a fundamental shift in the sources of its revenue due to market changes, this shift does not exclusively explain the size of the agency's reported losses each year. In fact, over two-thirds of the Postal Service's annual

reported losses in nearly every year of the last decade were due to costs largely outside of the Postal Service's operational control.

It is true that the Postal Service's financial stability has been impacted by a decrease in monopoly-protected letter volumes and an increase in lower-margin parcel volumes, which has expanded the agency's exposure to competition for revenue. Yet, despite this shift in the market, and adding nearly 2 million delivery points every year, the Postal Service still generates revenue much closer to covering its operating expenses than the reported losses suggest.

The Postal Service's reported losses are more significantly impacted by multiple financial constraints imposed by Congress and the executive branch, including restrictions on its ability to sensibly invest its retirement funds, an unfair overallocation of Civil Service Retirement System (CSRS) liability, and limits on its access to capital. These constraints are unique to the Postal Service and contrary to its status as an independent agency. They substantially hinder the agency's ability to improve its financial stability and to provide robust and reliable universal service. It is time for Congress and the administration to act and remove these constraints.

Congress took the first step toward improving the Postal Service's financial stability with the passage of the bipartisan Postal Service Reform Act of 2022, which eliminated the retiree health pre-funding requirement, removing a major accounting burden from the Postal Service's financial statements and annual reported losses. NALC applauds

Congress for taking this meaningful first step, but more must be done, including allowing the Postal Service to invest its retirement accounts more sensibly, correcting the misallocation of pension liabilities between the federal government and USPS, and increasing the Postal Service's statutory borrowing limit.

Sensible investment reform—As NALC first raised years ago, the Postal Service is constrained by restrictions on how it is allowed to invest its retirement trust funds. The agency could significantly reduce its annual retirement benefits costs if the assets of its retirement accounts were invested more sensibly. Under current law, all funds in USPS retirement accounts are invested in low-yielding Treasury bonds, earning between 1.0 and 3.0 percent a year in recent years. In contrast, the average rate of return on private-sector defined-benefit plans with diversified assets was 6.5 percent. A recent USPS Office of Inspector General (OIG) analysis found that if the Postal Service's CSRS, Federal Employees Retirement System (FERS), and retiree health benefit funds had been invested in a well-balanced portfolio (40 percent in U.S. investment-grade bonds and 60 percent in U.S. stocks) between 1972 and 2022, they would have yielded an additional \$894 billion.¹

By more sensibly investing its retirement trust funds, the rate of return will improve and help to reduce the Postal Service's retirement liabilities, which will, in turn, save the

¹ <https://www.uspsoig.gov/sites/default/files/reports/2023-04/risc-wp-23-005.pdf>

agency billions of dollars and reduce the need to lower service standards and service quality to cut costs and/or raise postage rates to increase revenue.

Congress must authorize the Postal Service to implement a new, higher-yielding investment strategy for its retiree health and pension trust funds.

Correcting pension misallocation—The Postal Service is further constrained by an unfair overallocation of CSRS liabilities, which has diverted billions of dollars away from the agency in the last 50 years.

Multiple analyses by the USPS OIG, the Postal Regulatory Commission, and the independent Segal Group have found that the methodology used by the Office of Personnel Management (OPM) to allocate CSRS pension costs for workers employed by both the pre-1971 taxpayer-funded Post Office Department and the self-sustaining Postal Service unfairly placed more responsibility on the latter.

As a result, the Postal Service has been paying more than its fair share into CSRS pensions for over 50 years. This unfair responsibility comes at a cost of \$3 billion annually and has shifted at least \$90 billion in unjust financial obligations onto the independent agency.

The Segal Group's 2010 audit recommended immediate reforms, and Section 802 of the Postal Accountability and Enhancement Act authorized OPM to enact them. However,

OPM has declined to act for 15 years, citing dubious legal obstacles and practical implementation problems. Unfortunately, OPM's inaction has significantly harmed postal finances, and it is well past time to correct the issue.

The administration must direct OPM to correct the misallocation.

Borrowing limit—The Postal Service is also constrained by its borrowing authority. It may only borrow from the U.S. Treasury and only up to a limit of \$15 billion.

This limit has been in place since 1992 and has never been adjusted for inflation or growth in the size of the agency's universal service obligation.

If adjusted for inflation, the limit would today be about \$35 billion. Put another way, at the time the limit was set, it was equivalent to about one-third of the agency's annual operating expenses. Today, it is equivalent to only about one-sixth of the agency's operating expenses.

It is worth noting that the Postal Service's borrowing limit is uniquely small for an agency of its size. The Tennessee Valley Authority, an agency that serves only a small portion of the U.S. population and whose revenue is one-sixth that of the Postal Service, has a borrowing limit twice as large.

The borrowing limit today is inadequate. It does not allow the Postal Service access to sufficient capital to make investments necessary to modernize its network or to cover the cost of providing universal service in a changing market.

Congress must raise the Postal Service's statutory borrowing limit.

NALC strongly believes it is premature to discuss additional proposals without first completing these reforms. This is for two reasons.

First, it is important to preserve service.

The Postal Service's massive infrastructure guarantees that no matter where you are in the country—urban, suburban or rural—USPS will deliver to you. Every day, millions of Americans rely on this vast system for the delivery of prescription drugs, Social Security and pension checks, and essential goods.

The Postal Service, with 640,000 employees spread across every community in the nation, is not only a public service, but also at the center of the \$1.92 trillion mailing industry that employs more than 7.9 million Americans. Its universal network also plays a crucial role in the function of private shippers such as UPS, FedEx and Amazon, which partner with USPS because it provides unique last-mile delivery to every business and residential customer in the country six and, increasingly, seven days a week. This reliable, efficient service is too costly for private shippers to maintain alone, particularly for rural

customers. Service cuts would not only impact individual customers, but also the nation's economy.

The country's 60 million rural residents are likely to bear the brunt of any service changes. Cutting service at a time when people are increasingly relying on the delivery of goods to their homes would limit the public's ability to participate in the e-commerce market and hinder businesses' access to customers. Service cuts are unacceptable under any circumstance.

Congress is rightly concerned about the Postal Service's reliability and ability to provide dependable service. It also has the power to protect this service. In his testimony before the subcommittee, Postmaster General Steiner alluded to service cuts as the only option if no action is taken to remove the Postal Service's financial constraints. Congress and the administration can help the Postal Service continue to reliably meet its universal service obligation and provide robust services to the American public by correcting the financial constraints placed on the Postal Service. NALC urges the subcommittee and all of Congress to adopt these commonsense financial reforms to get the agency on a path to financial solvency as soon as possible.

Second, financial issues cannot and should not be addressed on the backs of hardworking postal employees.

NALC, USPS, other postal unions, mailers and other stakeholders all agree that the three financial reforms we outlined above are essential to improving the agency's financial situation and guaranteeing continued service for years to come. However, in his testimony, Steiner mentioned a proposal that NALC fully opposes: that USPS take control of all postal employees' workers' compensation claims or seek reforms substantially altering the Federal Employees' Compensation Act program for employees of the Postal Service.

Letter carriers are injured on the job more than any other employees in the federal government. We work outside. We are on our feet on the streets for long hours. We lift heavy packages. We brave all the elements. The list goes on and on. These factors make us increasingly susceptible to injuries. When we are injured on the job, we deserve to be treated and compensated accordingly.

A recent OIG report found that the Postal Service spent more than \$800 million on grievances in a three-year period. Giving an agency that struggles to uphold the basic provisions of a collective-bargaining agreement sole control over something as critical as workers' compensation claims is unacceptable, irresponsible and disrespectful to the workforce. The Postal Service cannot be given an opportunity to use this as an out to fix its financial problems.

Any attempts to reduce costs by harming the dedicated public servants who provide this service will not only harm employees but ultimately impact the level of service for Americans. As the postmaster general said in his testimony, service is fundamental to the

success of the Postal Service. NALC shares his vision for a Postal Service that can “promise an unparalleled service that will last for years to come.” That high-quality service is impossible to achieve without appropriately caring for postal employees.

NALC urges Congress to embrace these commonsense financial solutions and reject any proposals that would potentially harm dedicated, hardworking postal employees. By allowing the Postal Service to responsibly invest its retirement funds, recalculating the agency’s CSRS pension obligation, and raising its borrowing authority, Congress and the administration can improve the Postal Service’s finances while guaranteeing quality service that Americans depend on.