S. 1789, the 21st CENTURY POSTAL SERVICE ACT – SUMMARY

The dramatic rise of electronic communication and the recent economic downturn have combined to imperil the financial viability of the United States Postal Service (USPS). S. 1789 would lessen the immediate financial pressure on the USPS and address long-term financial and structural challenges to put it on a sustainable path.

POSTAL WORKFORCE MATTERS

Refund of FERS Overpayment; Buyouts and Retirement Incentives

The bill would give the Postmaster General access to money the U.S. Postal Service has overpaid into one of its pension funds (Federal Employees Retirement System, or FERS) and use it to offer buyouts or retirement incentives to reduce the active postal workforce by 100,000 or more employees over the next several years. The incentives could include either a cash buyout of up to $25,000 (the cap for federal worker buyouts) or service credits that effectively speed up an employee's eligibility for retirement: up to one year for Civil Service Retirement System employees and up to two for FERS employees. Any funds remaining after the Postal Service has completed this incentive program may be used to repay debt and meet obligations related to workers' compensation, pensions, and retiree health. USPS has estimated that reducing its workforce by 100,000 employees would save up to $8 billion annually.

Health Care Savings

S. 1789 would restructure the Postal Service's current statutory obligation to prefund the cost of providing retiree healthcare benefits for current and former employees, thereby lessening the immediate burden on the USPS while ensuring that it contributes enough to meet future needs. The bill would replace the existing specified annual payments with a new 40 year amortized payment schedule, and it would reduce the pre-fund goal to 80% of projected liabilities. In addition, the bill authorizes the Postal Service and its employee unions to use collective bargaining to try to agree on a separate healthcare plan, rather than remaining under the Federal Employees Health Benefits Plan. The Postal Service believes that such a plan could provide excellent healthcare coverage while reducing both current healthcare costs and the amount needed to prefund retiree healthcare.

Arbitration Standards

When the Postal Service and postal-employee unions are unable to reach agreement about pay and other terms and conditions of employment through collective bargaining, current law requires that the dispute be resolved through binding arbitration. S. 1789 specifies that the arbitrators must take into account: 1) the financial condition of the Postal Service, 2) the existing statutory policy that pay and benefits be comparable to those in the private sector, 3) all other polices of Title 39, U.S. Code (that statutory provisions that generally govern the Postal Service); as well as any other factors that are relevant to the dispute.

Federal Employees' Compensation Act (FECA) Reforms

FECA provides compensation for federal civilian employees and postal employees injured on the job. GAO, several Inspectors General, and both the current Administration and the previous one have all identified serious problems in the FECA statute, including several ways in which the program is unduly expensive. Cost-cutting FECA reform is necessarily intertwined with efforts to stabilize the Postal Service's finances, because postal employees represent a large portion of FECA beneficiaries and FECA costs are very expensive for the USPS.

FECA benefit levels that are unduly high may inadvertently give employees an incentive to remain on FECA beyond when they would otherwise have retired. Because FECA benefits typically exceed federal retirement benefits, S.1789 would establish a benefit level for retirement-age FECA beneficiaries more comparable to a retirement annuity. In addition, the bill would eliminate extra payments for FECA beneficiaries with dependants -- bringing the benefit structure into line with most other workers' compensation programs. For those already receiving FECA, benefits for permanently and totally disabled workers would not change. The bill includes several provisions to help FECA beneficiaries return to work, such as the development of back-to-work plans and the expansion of the Department of Labor's authority to temporarily place recipients in new jobs. The bill also establishes a uniform 3-day waiting period for benefits immediately after injury, and expands the government's ability to recover compensation costs from responsible third parties. The bill would increase certain outdated compensation amounts for death and disfigurement, and would also take a number of steps to combat fraud.

REFORMING POSTAL OPERATIONS WHILE MAINTAINING SERVICE AND CUSTOMERS

Limitations on Five-Day Delivery

The bill would prohibit the Postal Service from implementing its plan to eliminate Saturday delivery for at least two years. The implementation could only move forward if the following conditions are met: 1) the Postal Service identifies customers who may be affected disproportionately by five-day delivery and develops remedies; 2) the Postal Service makes full use of its authorities under current law and in this bill to increase revenue and reduce costs; and 3) after implementing all other savings options, the Postal Service determines that a five-day schedule is still necessary to achieve sustainability. Once that decision is made, and demonstrated through careful financial analysis, the Government Accountability Office (GAO) would review the Postal Service's financial situation, projections, and the adequacy of the savings initiatives already implemented in order to determine whether the implementation of five-day delivery is financially necessary. The Postal Service would not be able to move to five-day delivery unless the Postal Regulatory Commission (PRC) has found that the Comptroller General has made a determination that doing so is financially necessary.

Streamlining Delivery

Currently, postal customers who do not rent post office boxes receive delivery in a number of ways: at their door , in mail boxes at their curb, or at centrally-located clusters of mailboxes at the end of their block or in a residential building. The bill would authorize the Postal Service, where feasible, to deliver to curbside, sidewalk, or centralized mailboxes rather than to door delivery points no later than 2015. This change could save the Postal Service billions of dollars every year.

Post Office Closings and Retail Service Standards

The bill makes it more difficult for the Postal Service to close post offices inappropriately, especially in small towns and rural areas. The Postal Service must consider several options prior to closing a post office, such as consolidating two post offices within a reasonable distance, reducing the number of operating hours at a particular post office instead of a closure or consolidation, or permitting a contractor or rural carrier to provide retail services in the community served by the post office. S. 1789 also requires the Postal Service to establish certain guaranteed minimum retail service standards that take into account such factors as the proximity of retail postal services to customers, the age and disability status of individuals in the area, and the transportation challenges in the areas served.

Processing Facilities

The bill would require the Postal Service to complete a study prior to the closure of a processing facility. The study must evaluate the option of downsizing rather than closing the facility. The bill would also establish a rigorous public review period and require a response to those comments from the Postal Service as well as documentation that important factors have been considered prior to closure.

New Products and Services

The bill would allow the Postal Service to offer non-postal products or services if the PRC has determined that the products and services: 1) make use of USPS's processing, transportation, delivery, retail network, or technology; 2) are consistent with the public interest and a demonstrated demand for the Postal Service to offer them; 3) do not create unfair competition with the private sector; and 4) have the potential to improve the Postal Service's financial condition. The bill would also allow the Postal Service to offer services on behalf of state and local governments, as it does today on behalf of federal agencies, and to ship wine and beer as its private-sector competitors do.