NALC Fact Sheet

Department of Legislative and Political Affairs — National Association of Letter Carriers, AFL-CIO
100 Indiana Ave. NW — Washington, DC 20001-2144 — 202-393-4695 — www.nalc.org

Support USPS Fairness Act (H.R. 695/S. 145)

Repeal the pre-funding mandate

In 2006, the Postal Accountability and Enhancement Act (PAEA) was enacted, a postal reform law with a mandate that USPS “pre-fund” decades’ worth of health benefits for its future retirees. This liability is unique to the Postal Service since no other public or private enterprise in America is required to pre-fund retiree health benefits (RHB). The mandate manufactured a financial crisis in an otherwise profitable agency. NALC fully supports the elimination of this mandate through passage of the bipartisan USPS Fairness Act (H.R. 2382).

As reported in the Postal Service’s annual 10-K financial statements, the mandate has cost an average of $5.4 billion annually since 2007 and is responsible for **92 percent** of USPS losses over the last twelve years. It accounts for 100 percent of losses from 2013-2018:

Impact of the Pre-funding Mandate on USPS Net Income under the PAEA ($billions)

Fiscal Year	Net Income/ (Loss)	RHB Pre-funding	**Net income without Pre-funding**
2013	(5.0)	(5.6)	**0.6**
2014	(5.5)	(5.7)	**0.2**
2015	(5.1)	(5.7)	**0.6**
2016	(5.6)	(5.8)	**0.2**
2017	(2.7)	(4.3)	**1.6**
2018	(3.9)	(4.5)	**0.6**

Were this burden not imposed, USPS would have recorded surpluses of nearly $4.0 billion since 2013.

The pre-funding mandate has prevented the agency from properly investing in its networks. Even worse, the resulting financial losses have been used to both threaten core services that Americans rely on—such as door-to-door service, six-day delivery, and convenient post office hours—and to advance proposals to privatize the Postal Service and attack the jobs and rights of America’s postal employees.

USPS is at the heart of a $1.4 trillion mailing industry that employs 7.5 million Americans. Its unmatchable networks link more than 157 million American households and businesses to each other seven days a week. It is essential to our nation’s voting systems and to multiple industries, communities and populations, including: e-commerce; prescription drugs; the nation’s paper, publishing, and advertising businesses; and to millions of small businesses and tens of millions of citizens in rural, suburban, and urban communities across the country.

The pre-funding mandate forced the Postal Service to exhaust its $15 billion borrowing limit with the U.S. Treasury and prompted USPS to defer needed investments in its networks. Despite its challenges over the last decade-plus, the Postal Service has amassed nearly $50 billion for future retiree health benefits—enough to cover premiums for 10-15 years. Ending the pre-funding mandate would save USPS billions annually by returning to a pay-as-you-go system of reimbursing the Office of Personnel Management for actual health premiums.

The Postal Service, the most trusted and highest-rated agency in the federal government, plays an essential role in our economy. Its current financial crisis need not continue. If the prefunding mandate were removed and a new rate-setting system (now being developed by our regulators) were installed, the agency would be well-positioned to thrive in the 21st Century by investing in its networks and new products and improving service quality—all while honoring its retiree health obligations.

NALC supports H.R. 695/S. 145, the bipartisan USPS Fairness Act, which would repeal the pre-funding mandate.