

May 19, 2005

Dear Mr. Speaker and Mr. Leader:

We recently heard testimony from the Treasury Department and the Office of Personnel Management on the merits of legislation to reform the U.S. Postal Service (USPS). We agree with the Administration's assessment that USPS needs to be reformed without unduly burdening the American taxpayer, in a way consistent with its status as an independent institution.

The 1970 Postal Reorganization Act was intended to convert the USPS into an independent, self-financing entity – a reality not yet realized to this day – and all reform legislation should be assessed with this goal in mind. As reported from the Committee on Government Reform, H.R. 22 is not consistent with this goal. According to the Congressional Budget Office, the bill costs *at least* \$5.9 billion over ten years and very likely will cost an additional \$1.6 billion. This new spending is *not* provided for within the recently-passed budget resolution – as a result of USPS' unique status as an “off-budget” program – and it clearly worsens the deficit.

In particular, we remain concerned with the provision to shift the responsibility for paying the military service credits of USPS employees to the U.S. Treasury. While taxpayers typically pick up such costs for federal agencies, USPS is supposed to operate as a self-financed government corporation and pay such costs so as to not benefit from an unfair labor subsidy. For instance, the Patent and Trademark Office, as a self-financed government entity, now pays the costs of these military service credits for its employees. The issue is not the merits of this subsidy, but rather who should bear its costs.

Furthermore, we support efforts to pre-fund USPS' unfunded health benefits by releasing any “excess” pension contributions to the Civil Service Retirement System, currently held in an escrow account within the U.S. Treasury. If H.R. 22 were modified accordingly, the legislation would be deficit neutral and acceptable to conservatives with strong concerns over its spending implications. Our request is that H.R. 22 not be scheduled for consideration by the full House of Representatives until these concerns are addressed in an appropriate manner.

Whether it be USPS' current exemption from federal, state, and local taxes, the power of eminent domain, or the ability to borrow at below-market rates from the Treasury, USPS and its ratepayers already see significant benefits. Accordingly, taxpayers have paid their fair share, and any needed reforms to the system ought to be enacted in either a deficit-neutral manner or one where costs are borne by those who currently utilize USPS' services.

Yours respectfully,

Rep. Mike Pence (R-IN)

Rep. Jeb Hensarling (R-TX)