



NATIONAL ASSOCIATION OF POSTMASTERS
OF THE UNITED STATES

TESTIMONY OF

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PRESIDENT

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SUBMITTED TO THE

SENATE SUBCOMMITTEE ON FINANCIAL
SERVICES AND GENERAL GOVERNMENT

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Chairman Durbin, Ranking Member Collins, and Subcommittee members, my name is Robert Rapoza. I am President of the National Association of Postmasters of the United States (NAPUS). My organization represents the managers-in-charge of Post Offices throughout the United States. I am pleased to share with you NAPUS' thoughts regarding the finances of the United States Postal Service, with specific attention to necessity of maintaining a universal Postal Service.

Presently, there are about 27,000 Post Offices in the country; at the turn of the twentieth century approximately 77,000 Post Offices dotted our cities and heartland. Although the numbers of surviving Post Offices are a mere fraction of their past magnitude, they continue to serve as the sole threshold to government services for millions of citizens and businesses situated in rural areas, small towns, and isolated communities. Simply stated, these treasured public facilities have been, currently are, and will continue to be an essential communications and commercial lifeline for America. Eight percent of this nation's Gross Domestic Product is postal-related, employing approximately 800 million Americans. The Post Office and its influence will reach far into the future, in spite of the digital juggernaut and the cataclysmic impact that the recent recession has had, and continues to have, on the U.S. Postal Service and its customers. As Postmasters, we interact on a daily basis with citizen mailers, destination point postal customers, and small businesses. While these customers may not be the so-called "major mailers", they are the foundation of the American postal system, and the reason why the Postal Service remains the most trusted, respected and valued governmental institution. It is important that Congress work to strengthen and not weaken the Postal Service's ability to continue to perform its historic and vital mission.

NAPUS recognizes the financial challenge confronting the Postal Service, but closing Post Offices, as being suggested by the Postmaster General and others within the agency should be one of last options. In recent speeches and visits to editorial boards, the Postmaster General has advocated the deletion of the statutory prohibition against closing a Post Office "solely for economic reasons." On behalf of the many communities for which a self-sustaining Post Office is beyond the means of a community, NAPUS strongly opposes the Postmaster General's pitch. There are reasons, other than financial, in which a Post Office may be closed. In fact, the Postal Regulatory Commission is presently reviewing a Postal pattern of circumventing the rules under which a Post Office may be "temporarily suspended." Impacted communities are sharing their insight with the PRC, within the context of a case initiated by Hacker Valley, West Virginia.

In the report accompanying the Fiscal Year 2010 Financial Service and General Government Appropriations Bill, this Subcommittee reaffirmed Congress' strong commitment to rural America in stating that "none of the funds provided [in the Act] be used to consolidate or close small rural and other small post offices.." The subcommittee went on to say "These are services that must be maintained in fiscal year 2010 and beyond." Postmasters and Americans fervently believe that Post Offices are key linchpins that bind our nation together. America agrees with this view. A June 2009 Gallup Poll illustrated that 55 percent of Americans oppose the closing of Post Offices; that number escalates to 88 percent if the target is their Post Office.

NAPUS believes that the Subcommittee should consider appropriating the statutorily authorized postal public service subsidy; it amounts to a modest \$460 million. The authorization dates back to 1971, yet the Postal Service has not requested it since 1982. The motivation for the provision is obvious, and it highlights the value that Congress bestows on Post Offices. Section 2401(b)(1) of Title 39 states that the appropriation is to provide “a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining...” [Emphasis added] Congress cannot be more succinct in setting aside funds to assist small and rural Post Offices. The PRC estimated that closing all small and rural Post Offices would have shed only \$549 million in postal operating costs, in FY 2008.

One of the most vexing quandaries is how to accurately and fairly evaluate the Postal Service’s retiree health and federal annuity obligations. The Committee Report that accompanied the FY 2010 Financial Services and General Government Appropriations Bill acknowledged the problem. This Subcommittee documented that Office of Postal Inspector General projected the Postal Service to be on a schedule which would “result in a 6 percent overpayment to the [Postal Retiree Health Benefits] Fund by the end of 2016.” Consequently, the Report directed the Postal Service, in conjunction with the Office of Personnel Management and Office of Management and Budget, to develop legislation to address the prefunding issue. It does not appear that there was a meeting of minds between the Postal Service and the Administration. We urge the Committee to direct the Office of Personnel Management to calculate the FEHBP inflation rate consistent with the methodology used by other large employers and by Medicare. This would reduce the FEHBP index by 2 percent and provide much-needed breathing room for the Postal Service.

Compounding the health care pre-funding inequity suffered by the Postal Service is the Postal IG conclusion that the Postal Service has overpaid \$75 billion into the Civil Service Retirement and Disability Trust Fund. This is the result of not correctly allocating the pension costs of pre-1971 postal employees. Ironically, if this pension overpayment were to be applied to pre-funding the Postal Retiree Health Fund, the health liability would be wiped away.

NAPUS understands that remedial legislation may have budget implications. This byproduct of postal relief impact stems from entanglement of postal operations, the unified budget and budget score-keeping. We believe that it should be made clear, through legislation and through credible representations, that postal funds paid into the Retiree Health Fund and the CSRS Fund are not taxpayer-generated, and, as a consequence, should not impact the federal budget. The only reason the transactions “score” is because the Postal Fund is an “off-budget” account, while the health and retirement funds are “on-budget”, and CBO incorrectly asserts that relief increases postal spending. We believe that congressional budget rules should not penalize the Postal Service for overpaying into the funds, and should not exploit the Postal Service as a cash-cow for the government – particularly since the agency has no milk to give.

Thank you.