



June 15, 2007

The Honorable David R. Obey
Chairman
Committee on Appropriations
House of Representatives
Washington, DC 20515-6015

Dear Chairman Obey:

This letter is in response to recent action by the House Appropriations Committee to eliminate promised funding to repay the U.S. Postal Service for a debt incurred in the mid-1990s.

On Monday, June 11, the House Appropriations Committee reported the Fiscal Year 2008, Financial Services and General Government Appropriations bill, after amending the measure to eliminate a \$29 million Postal Service revenue forgone reimbursement. This annual \$29 million reimbursement, which has been made for the past 14 years, is paying off a \$1.2 billion debt owed to the Postal Service for mail services provided in the mid-1990s. Payment for these services was deferred by Congress with the enactment of the Revenue Forgone Reform Act of 1993.

As background, for two decades after the enactment of the 1970 Postal Reorganization Act, and the creation of the Postal Service, Congress continued to fund reduced postage rates for certain categories of mail and mailers through the so-called "revenue forgone" appropriations. Congress required that the Postal Service provide reduced postage rates as well as free mail for purposes which Congress considered to be in the public interest. These favored types of mail included reduced-rate bulk mailings sent by qualified non-profit organizations, national and state political parties, in-county mailings of local newspapers, free mail for blind persons, and overseas absentee ballots. These appropriations were devoted entirely to the benefit of these historically favored mailers, and did not financially benefit the Postal Service.

Under the provisions of the Revenue Forgone Reform Act of 1993, approximately half of the former taxpayer subsidy to non-profit mailers was transferred to regular-rate postal customers, and that portion of the "revenue forgone" subsidy was ended. In this same legislation, Congress authorized a series of 42 annual appropriations of \$29 million, without interest, as reimbursement for \$1.2 billion in costs incurred by the Postal Service (\$515 million in past under-funding of revenue forgone plus the cost of phasing reduced postage rates to higher levels over six years, under the Revenue Forgone Reform Act). The outstanding balance on this debt is \$813 million.

Failure to fund this authorized appropriation places the remaining funds owed the Postal Service, already deferred by interest-free installments over a total of 42 years, at risk. According to Generally Accepted Accounting Principles (GAAP) under which the Postal Service operates, the Postal Service could be in the position of having to recognize the present value of the entire outstanding balance as a bad debt, with these costs being unfairly borne by current postage ratepayers.

It is important to the Postal Service and the American people that the costs associated with these mailings be paid for as promised by the Congress. Therefore, we request that the \$29 million revenue forgone reimbursement be restored to the Fiscal Year 2008 Financial Services and General Government Appropriations bill.

Sincerely,



John E. Potter