

Stop the “Stamp Tax” Campaign
IMMEDIATE ACTION NEEDED ON POSTAL REFORM
April 2005

- The direct mail industry’s advocacy has successfully stabilized postal rates for retail solo mail and shared mail. The industry has again identified critical postal issues related to major current and pending postal reform legislation and we need your help to thwart bad legislation and an unnecessary postal rate increase.
- These rate increases will affect the distribution costs of preprint advertising for those advertisers that reach consumers through the mail, newspapers and alternative delivery.
- These increases are the direct result of accounting miscalculations of USPS retirement benefits and a long history of the practice by the Federal government to transfer federal costs to the Postal Service and charge postal ratepayers for costs that would normally be paid by general tax revenues.
- If Congress and the Administration correctly accounted for the USPS’ payments for retirement obligations, the actual overfunding would fully fund retirement and future health care obligations, and the remainder would still provide sufficient funding to yield flat or decreasing rates for years.
- Instead, the Federal government has been spending the excess funds paid by postal ratepayers on general expenses.
- The Federal government’s practice to spend ratepayer money continues. Just 2 years ago, Congress transferred an additional \$28 billion in its pension obligations for military and volunteer agency (Peace Corps) retirement costs to postal ratepayers.
- The total amount of overcharges equals about two years of the USPS’ operating budget (approximately \$130 billion). That means the Federal government overcharge equals two years of a company’s budget for postal expenses.
- To correct this problem, Congress must take the following steps:
 - Stop the Stamp Tax. Give the USPS relief from the need to raise rates.
 - Congress must stop transferring federal costs and spending dollars that are intended to support the USPS.

Attached is a brief explanation of the problems created by Congress and the specific legislative solutions aimed at fixing them.

The Problem:

- In 2003, the Office of Personnel Management (OPM) discovered that due to past accounting miscalculations, the USPS would over-fund its portion of the Civil Service Retirement System (CSRS) fund by well over \$100 billion. OPM made certain policy changes to lessen the budget effect of the overpayment discovery on the Federal deficit. It went public with the news and proposed legislation.
- In 2003, Congress, with limited information, passed remedial legislation that was to be amended in 2004. It reduced the Postal Service's CSRS payments for 2003 to 2005 and utilized three years of those overpayments (\$9.2 billion) to hold postal rates stable to the beginning of 2006 and pay down USPS debt. Additionally, it placed \$68.8 billion for the future payments beyond 2006 into an escrow account and at the same time shifted \$28 billion for federal military and volunteer agency pension obligations to the USPS.

The Result: The Postal Service has filed an across-the-board postal rate increase for approximately 5.4% to go into effective January 2006. The only reason for this request is to raise funds to make an escrow payment due for civil service retirement costs next year. This "escrow" was created in 2003 when Congress admitted that stamp payers had already overfunded the costs for civil service retirees. Although Congress promised to fix the escrow, this has not taken place. This 5.4% increase is in addition to another cost of living, traditional rate case expected to be filed next year.

What Needs to be Done: Under current law, the Postal Service and ratepayers are saddled with an annual, and increasing, pension escrow payment to fund pension costs mailers have already paid. To add insult to injury, the Postal Service and ratepayers are now required to fund and pay for all of the retirement costs of military service for Postal Service employees. The 2003 law promised that studies would be done to examine the costs of Postal Service benefits and to better audit the amount of overpayments and other pension obligations. The Treasury is currently using an allocation method that transfers to the Postal Service, and ratepayers, the highest allocation possible, \$50 billion to \$80 billion, to contribute to retirement and benefit costs related to years of service before the 1970 Postal Reorganization Act, when the Postal Service became an independent, self-supporting federal agency.

Taking Action: The actions you take to address this important matter will impact the postal rates you and your customers pay today and tomorrow. Without a fix, the required pension escrow payments (that you have already paid!) continue on an annual basis, and increase in the future.

Write and fax a letter today to the Chairmen and Members of the US Senate Homeland Security & Governmental Affairs Committee and the US House Government Reform Committee that have a "geographic connection" to your business. (A list is attached)

Tell them:

Stop the “stamp tax.” Postal rates should not be increased to fund an escrow mailers have already paid. Legislation must be passed that:

1. Suspends or eliminates the civil service escrow payment.
2. Requires the Treasury, and not stamp payers, to pay the costs of military service retirement benefits for Postal Service employees. The Postal Service and ratepayers should not be asked to subsidize the country’s military.
- 3. Requires an independent review of the Office of Personnel Management/Treasury calculations of Postal Service pension and benefits. Postal ratepayers should not subsidize the Treasury based on inflated numbers. Let a respected, independent body determine the numbers or review them.**

Letters should tell elected officials how your business, and customers, depends on the Postal Service to distribute your advertising and stimulates jobs and the economy in your community. Cite specific examples if you can, employment #'s, etc.

As always, any communication with a government official should be as personalized as possible. Let your US Representatives and US Senators know how the mail affects your business and your customers. Your efforts now will shape decisions that will impact our future business climate and growth potential.