



July 26, 2005

House of Representatives
Washington, DC 20515

Dear Congressman:

I am writing in opposition to the Hensarling amendment to H.R. 22, the Postal Accountability and Enhancement Act. The U.S. Postal Service opposes the requirement that postal reform legislation be entirely budget neutral. If adopted, this amendment will deprive the mailing public of any benefit from the long-running over-funding of the Civil Service Retirement System (CSRS).

H.R. 22 addresses the retro-active transfer of the military service benefit obligation from the Treasury to the Postal Service and the escrow requirement created by P.L. 108-18 by returning the military service obligation to the Treasury and requiring the Postal Service to use roughly two-thirds of the money to pre-fund retiree health benefits. The remaining one-third can be used by the Postal Service to mitigate rate increases. H.R. 22 strikes a reasonable balance in this matter.

However, if the Hensarling amendment is adopted, the Postal Service will be in a worse financial situation than that it occupied before the CSRS over-funding was identified and corrected by P.L. 108-18. That is because the Postal Service will have to fund the military service obligation (the only agency required to do so retroactively) and make higher CSRS payments, in addition to fully funding the escrow requirement and annual health benefit premiums for retirees. If the Hensarling amendment is adopted, the total of these four payments would be \$97 billion over the next ten years.

The July 31, 2003, Report of the President's Commission on the United States Postal Service provides support for the military and retiree health benefit provisions of H.R. 22:

The Postal Service should consider funding a reserve account for unfunded retiree health care obligations to the extent that its financial condition allows...Responsibility for funding Civil Service Retirement System pension benefits relating to the military service of Postal Service retirees should be returned to the Department of the Treasury.

We urge that you oppose the Hensarling amendment and recognize the need to balance the pre-funding of retiree health benefits with the ability of the mailing public to withstand continued rate increases.

Sincerely,

A handwritten signature in black ink that reads "T G Day".

Thomas G. Day