# How Congress Manufactured a Postal Crisis—And How to Fix it

An unprecedented congressional mandate threatens the Postal Service's ability to continue to provide good jobs and universal service

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In 2006, Congress passed a law that imposed extraordinary costs on the U.S. Postal Service. The Postal Accountability and Enhancement Act (PAEA) required the USPS to create a $72 billion fund to pay for the cost of its post-retirement health care costs, 75 years into the future. This burden applies to no other federal agency or private corporation.

If the costs of this retiree health care mandate were removed from the USPS financial statements, the Post Office would have reported operating profits in each of the last six years. This extraordinary mandate created a financial “crisis” that has been used to justify harmful service cuts and even calls for postal privatization. Additional cuts in service and privatization would be devastating for [millions of postal workers and customers](https://inequality.org/wp-content/uploads/2018/12/IPS-Price-of-Privatization.pdf).

In its December 2018 [report](https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf), President Trump’s Task Force on the United States Postal Service reaffirmed current rules related to postal retiree health benefits, calling it “part of a mandate for postal self-sustainability.” However, the Task Force also recognized that the aggressive and accelerated timetable for funding the mandate has proved unworkable. They call for past deficits to be “restructured with the payments re-amortized with new actuarial calculation based on the population of employees at or near retirement age.”

While this would have a modest positive effect by spreading payments over a longer period of time, it does little to address the underlying problem caused by USPS being burdened with a mandate that no other federal agency or private corporation faces. A new [Institute for Policy Studies report](https://inequality.org/wp-content/uploads/2019/07/Manufactured-Postal-Crisis.pdf) makes the following recommendations.

**A Better Path Toward Sustainability**

1. **Repeal the prefunding mandate and allow USPS to use accumulated post-retirement reserves to fund future pay-as-you-go costs**

The Trump Task Force acknowledged that without the costs imposed by the Post-Retirement Health Care Mandate, USPS would today be profitable on an operating basis. Allowing USPS once again to pay the costs of retiree health care costs on a pay-as-you-go basis as the rest of the federal government and two-thirds of private industry currently do, is the biggest step that could be taken to assure long-term financial sustainability. Current reserves of $47.5 billion could be used to pay expected pay-as-you-go retiree health care costs [10-15 years](https://www.nalc.org/news/nalc-updates/body/Postal-Service-Workforce-Submission.pdf) into the future.

A bill introduced in the 116th Congress, the USPS Fairness Act ([H.R. 2382](https://www.congress.gov/bill/116th-congress/house-bill/2382?q=%7B%22search%22%3A%5B%22H.R.+2382%22%5D%7D&s=1&r=1)), would repeal the mandate and allow USPS to behave like any other company or agency would.

Absent a repeal of the prefunding mandate, other options would, collectively or individually, reduce the Postal Service’s unfunded liability and allow the Postal Service to preserve significant amounts of cash in the near term. The following three principles should also be considered:

1. **Adopt generally accepted accounting principles (GAAP accounting as set forth by the Financial Accounting Standards Board) for determining USPS liabilities**

USPS mandated post-retirement health care reserves must be based on “actual vested liability,” not on “total projected liability” as they are now. This is the difference between allowing a credit card holder to pay the charges they accrue each month, rather than requiring them to create a holding account for all of the expenses they expect to charge over a lifetime.

The prefunding mandate makes the unfair assumption that all current USPS employees will work for the Postal Service for the rest of their working lives. It also assumes that all current workers will qualify for and request that USPS pay the full cost of retirement health insurance. Basing the mandate on earned and vested benefits, rather than the hypothetical formula currently in place, would reduce USPS’s accumulated retiree health fund deficit [by $41 billion](https://www.nalc.org/news/nalc-updates/body/Postal-Service-Workforce-Submission.pdf).

1. **Medicare integration for future postal retirees**

Medicare integration, carefully designed and implemented, could relieve the Postal Service of some of its unfunded liability for retiree healthcare benefits. In the last Congressional session, bipartisan bills were introduced in both the [House](https://www.congress.gov/bill/115th-congress/house-bill/756)and [Senate](https://www.congress.gov/bill/115th-congress/senate-bill/2629" \t "_blank)that required postal retirees with federal employee health benefits (FEHB) to enroll in Medicare parts A and B at age 65. It also required all federal health plans to be reformed to use Medicare Part D (Employer Group Waiver Plan) laws for prescription drugs without additional premium costs to the FEHB enrollee.

The House and/or Senate separately addressed additional protections for those with special circumstances and individuals who could not benefit from Medicare B to remain in the FEHB program.

1. **Eliminate the requirement to invest solely in Treasury bonds**

Restricting USPS retirement assets to investment in special Treasury bonds has negatively impacted returns, relative to corporate pension funds, and therefore required USPS to set aside larger sums of money to meet its financial obligations to retirees. The principle of conservatively investing postal retirement assets is sound, but can be achieved by allowing investment in a broader range of assets like those in the Thrift Savings Plan, the federal employee retirement plan similar to a 401(k).

Rather than the story of a Postal Service facing dire financial straits, it is time we see the Postal Service for what it really is: a well-loved public institution that has risen to every challenge and innovated its way to new services even in the face of an unprecedented congressional mandate. All the while it has delivered high-quality jobs, in big cities and small towns across the country — all without a dime of taxpayer money.

The Postal Service is truly an American success story. Congress has the opportunity to ensure that it stays that way for generations to come.