

UPDATE

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Obama Budget Highlights Postal Reform

President Obama's proposed FY 2016 budget, sent to Congress earlier this week, continues the call for major changes in the U.S. Postal Service by infusing greater savings and relief into the cash-strapped enterprise.

The budget also proposes a 1.3 percent pay raise next year for federal employees and service members, a mark that typically serves as a guide for annual adjustments in pay raises for postal employees.

The President's budget, released one day after new Postmaster General Megan Brennan took office on Feb. 1, proposes a [series of reforms](#) similar to ones previously favored by the White House and some lawmakers on Capitol Hill. These include:

- Restructuring the prefunding of retiree health care benefits required by the 2006 postal law, by deferring the fixed payments due in 2015 and 2016 (a savings of \$13 billion) and creating a new 40-year amortization schedule beginning in 2017;
- Returning to USPS its FERS overpayments (estimated at \$1.5 billion) and requiring the Office of Personnel Management to use postal workforce-specific assumptions to calculate these payments;
- Cutting Saturday mail delivery, once volume declines to 140 billion pieces for four consecutive quarters, a level the White House expects the USPS to hit by late 2018;

- Allowing the Postal Service to shift away from door delivery to centralized or curbside delivery "where appropriate";
- Establishing in law the current administrative plan to avoid small and rural post office closures;
- Providing USPS with more flexibility in creating new business opportunities, as well as enlarging cooperation with state and local governments to offer services at post offices;
- Making permanent the emergency price increase set to expire this year; and
- Enhancing Postal Service governance to allow USPS management and its Board of Governors to more quickly and effectively respond to market opportunities and challenges, while retaining strong oversight from the Postal Regulatory Commission (PRC) and Congress

These moves, the White House said, will provide "specific authorities to improve USPS efficiency and net revenue, along with financial relief measures, grounded in principles of fiscal responsibility as well as sound financial management."

On the same day the White House released its FY 2016 budget, PMG Brennan sent a [letter](#) to all USPS employees, praising their dedication and promising a future "filled with opportunity." "We continue to take prudent steps to bring our costs and revenues into better alignment," Brennan wrote. However, the way we are structured today and the way we serve the public today will not be adequate to fully meet the demands of tomorrow's marketplace." Necessary reforms, she said, will include more investments, faster innovation and greater empowerment of employees.

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