



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 2, 2000

S. 2686

A bill to amend chapter 36 of title 39, United States Code, to modify rates relating to reduced rate mail matter, and for other purposes

*As ordered reported by the Senate Committee on Governmental Affairs
on September 27, 2000*

S. 2686 would change the methods used by the Postal Service for setting mail rates for nonprofit and other reduced rate mailers. Because such rates would be lower than under current law, CBO expects that the Postal Service would increase its rates for other mail in order to continue to cover its costs. CBO estimates that the net effect of the bill on the federal budget would be negligible. Collections and spending by the Postal Service are classified as off-budget, so pay-as-you-go procedures would not apply.

S. 2686 contains an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would raise the cost of certain types of reduced-rate mail for certain groups of mailers. In effect, the bill would shift, to those that pay regular mail rates, about \$70 million a year of costs that would be borne by nonprofit and governmental entities under current law. (Such regular-rate mailers would include both private- and public-sector entities.)

For the public sector, the bill would reduce postage rates for certain governmental mailers, including public libraries and schools, and would increase costs for some other agencies of state and local governments that pay regular mail rates. CBO estimates that net costs, if any, to governmental entities would not exceed the annual threshold established in UMRA (\$55 million in 2000, adjusted annually for inflation).

For private-sector mailers, the bill also would reduce postage rates for certain classes of nonprofit mail and shift costs to regular-rate mailers. CBO estimates that net costs to private sector entities resulting from this shift would fall well below the annual threshold established in UMRA (\$109 million in 2000, adjusted annually for inflation).

The CBO staff contacts for this estimate are Mark Grabowicz (for federal costs), Susan Sieg Tompkins (for the impact on state and local governments), and Paige Piper/Bach (for the private-sector impact). This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.