CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 20, 2009

H.R. 22
United States Postal Service Financial Relief Act of 2009

As ordered reported by the House Committee on Oversight and Government Reform on July 10, 2009

SUMMARY

H.R. 22 would authorize the United States Postal Service (USPS) to make payments for retirees' health insurance premiums from the Postal Service Retiree Health Benefits Fund (PSRHBF) for fiscal years 2009 through 2011. Under current law, funds in the PSRHBF are not available for spending until fiscal year 2017.

CBO estimates that enacting the bill would result in on-budget costs of about $5 billion and off-budget savings of $2.5 billion over the 2009-2019 period. (Cash flows of the Postal Service are classified as off-budget, while the PSRHBF is an on-budget account.) Combining those effects, CBO estimates that the net cost to the unified budget of enacting H.R. 22 would be about $2.5 billion over the 2010-2019 period. All of those effects reflect changes in direct spending. H.R. 22 would not affect revenues.

H.R. 22 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 22 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2014	2009-2019
CHANGES IN DIRECT SPENDING													
On-budget Effects (PSRHBF)													
Estimated Budget Authority	2,000	2,200	2,500	0	0	0	0	0	-550	-550	-550	6,700	5,050
Estimated Outlays	2,000	2,200	2,500	0	0	0	0	0	-550	-550	-550	6,700	5,050
Off-budget Effects (Postal Service Fund)													
Estimated Budget Authority	-1,800	-1,100	-1,250	0	0	0	0	0	550	550	550	-4,150	-2,500
Estimated Outlays	-1,800	-1,100	-1,250	0	0	0	0	0	550	550	550	-4,150	-2,500
Total Unified Budget Effects													
Estimated Budget Authority	200	1,100	1,250	0	0	0	0	0	0	0	0	2,550	2,550
Estimated Outlays	200	1,100	1,250	0	0	0	0	0	0	0	0	2,550	2,550

Note: PSRHBF = Postal Service Retiree Health Benefit Fund.
Budgetary effects in 2017 through 2019 reflect Postal Service amortization payments to the PSRHBF.

BASIS OF ESTIMATE

CBO assumes that H.R. 22 will be enacted before the end of fiscal year 2009. The bill would authorize the Postal Service, over the 2009-2011 period, to shift payments for retirees' health insurance premiums from the off-budget Postal Service Fund to the PSRHBF, an on-budget account established by the Postal Accountability and Enhancement Act (Public Law 109-435) to prefund retirees' health benefits. Under current law, funds in the PSRHBF are not available to the USPS for retirees' health costs until fiscal year 2017.

CBO estimates that the government's payments for retirees' health insurance premiums will be about $2.0 billion in 2009, $2.2 billion in 2010, and $2.5 billion in 2011. Thus, the legislation would increase spending from the on-budget PSRHBF by $6.7 billion over the 2009-2011 period.

CBO expects that savings to the Postal Service Fund would be less than $6.7 billion over the same period. We expect that lowering the health care expenses of the Postal Service Fund by $2 billion or more annually would cause the agency to modify its efforts to reduce other spending near the end of fiscal year 2009 and in future years. Faced with an imbalance of receipts from postal customers and operational costs, the Postal Service has made significant efforts to reduce spending in recent years and is expected to continue to do so.

Early in 2009, the Postal Service announced plans to cut spending by $5.9 billion over the 2009-2010 period. Just a few months later in response to worsening financial conditions, the agency accelerated the cost-cutting program and aimed to cut $5.9 billion in 2009 alone. CBO expects that eliminating a $2 billion expense would lead the agency to alter its cost-reduction program by cutting spending less aggressively than it would without the legislation. Consequently, enacting this legislation would increase net postal outlays relative to current law.

CBO estimates that the increase in net USPS outlays in 2009 would be relatively small because most of the fiscal year will have elapsed by the time the legislation is enacted and because the agency's financial condition is precarious. We expect that changes to the USPS's cost-cutting plan would become noticeably larger in 2010 and 2011. We estimate that the increase in net USPS outlays in 2010 and 2011 would be about half of the government's payments for retirees' health insurance premiums for those years—about $1 billion in each year. (In fiscal year 2008, on a cash basis, the Postal Service reported expenses of $78.6 billion.) On balance, CBO estimates that enacting H.R. 22 would increase spending (for the unified budget) by $200 million in 2009 and by about $2.5 billion over the 2009-2011 period.

H.R. 22 would have budgetary effects after 2016, but CBO estimates that those changes would have no net impact on unified budget totals. Public Law 109-435 requires the Postal Service to make annual amortization payments for retirees' health benefits into the PSRHBF beginning in 2017. Because the bill would reduce payments into the PSRHBF from 2009 to 2011, interest earnings of that fund would be lower. Thus, the annual amortization payments would be higher than expected under current law. Based on information from the Office of Personnel Management, CBO estimates that the increase in payments would be $550 million in each year, beginning in 2017. However, because those payments are intragovernmental transfers, increased spending from the Postal Service Fund would be offset by increased receipts into the PSRHBF, so there would be no net effect on the unified budget.

INTERGOVERNMENTAL AND PRIVATE-SECTOR MANDATES

H.R. 22 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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