Federal Budget Treatment of the Postal Service

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Executive Summary

The budget status of the U.S. Postal Service has been a matter of both contention and confusion since the 1970 Postal Reorganization Act (PRA) put the Postal Service on a self-sustaining basis, exempting it from general budget and funding laws and denying the executive branch control over its finances. In the 1970s and 1980s, the Postal Service was sometimes included and sometimes excluded from the president's budget by administrative decision often hinging on whether it was running a surplus or a deficit. When it was on budget, the Postal Service was commonly caught up in deficit reduction squabbles, and took on obligations belonging to the Treasury.

In the Omnibus Budget Reconciliation Act of 1989, the Postal Service won a hard-fought legislative battle, at some cost, to put its funding permanently off budget. Congress agreed that mail delivery was a self-financing business whose operations should not be scaled up or down depending on national budget considerations. For the past two decades, only the Social Security Trust Funds have shared off-budget status with the Postal Service.

Despite its off-budget status, however, the Postal Service is still caught up in budget-scoring decisions that erode its finances and obstruct its legislative program in Congress. This situation primarily results from three facts: (1) the Postal Service's revenues and expenses remain part of the unified budget, which is the measure most commonly used for calculating budget effects, (2) the Postal Service's contributions for its retiree obligations are held in on-budget accounts, and (3) the Postal Service receives a small on-budget appropriation to subsidize mail for the blind and overseas voters.

More specifically, our review demonstrates that

- Although the Postal Service Fund is technically not included in the budget the president sends to Congress each year, it is included in a broad economic concept called the "unified federal budget" that captures all government transactions with the public.

- Both the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) concentrate their attention on scoring changes to the unified federal budget, primarily because it allows large surpluses in the Social Security Trust Funds to offset deficit spending elsewhere in government. The Postal Service is an inadvertent victim of this strategy.

- The two funds that hold the Postal Service's contributions for future retiree benefits are on budget. As a result, reductions in payments for the Postal Service's retiree obligations have a negative effect on the federal deficit because of the scoring process.

- Because CBO scores postal legislation against the unified budget, any legislative proposals that have the effect of reducing postal net revenues or transfers to the Treasury are subject to point-of-order objections under House "pay-as-you-go" (PAYGO) rules which require *unified budget neutrality*. Although the Senate's PAYGO rule requires only *on-budget neutrality*, it too can be triggered by any legislative proposal that reduces the Postal Service's contributions to on-budget retiree benefit funds.

- Postal reform was delayed for years by unified budget-driven objections and finally passed only at the cost of accepting a scoring-driven requirement to contribute more than $5 billion annually, first to an escrow fund and then to a retiree health benefits fund with no actuarial foundation.

- The current proposals (S. 1507 and H.R. 22 in the 111th Congress) to restructure the way the Postal Service pays its share of retiree health care premiums are only the latest examples of needed legislation being held up by a possible budget effect.

- The small postal appropriation each year routinely shifts costs to the Postal Service and subjects it to riders that prevent closing small post offices or experimenting with 5-day-a-week delivery.

The unified federal budget is an economic rather than a statutory concept. Nevertheless, the current emphasis on the budget neutrality of postal legislation negates the considered Congressional judgment in 1989 that the Postal Service should be shielded from budget negotiations between the president and Congress.

To foster the principle of postal independence from national budget considerations, we recommend that the Postal Service pursue three changes to its current relationship with Congress and the budget process:

- Amend the House of Representatives' PAYGO rule that allows a point of order to block legislation that increases the *off-budget deficit* to match the Senate's PAYGO rule that allows a point of order only in response to increases in the *on-budget* deficit.

- Shift to off-budget status the Postal Service's share of the Civil Service Disability and Retirement Fund (CSRDF) and the Postal Service Retiree Health Benefits Fund (PSRHBF) to match the off-budget status of the Postal Service Fund.

- Either (a) Opt out of the appropriations process and its attendant restrictions or (b) shift the cost of these mailings to the federal agencies most responsible or affected by the mailings. Option (a) would cost about $100 million a year in support for free mail for the blind and overseas voters, but this cost is small compared to the public service and non-profit costs the Postal Service already bears. In addition, it would be a small price to pay for cementing the financial independence of the Postal Service and would free it from riders to appropriations acts. Under option (b), Congress would appropriate the needed funds to the appropriate agencies, and they, in turn, would pay the Postal Service the required postage.

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Introduction

The Postal Service takes pride in running a business that generates its own revenue and does not depend on taxpayer support. More than 25 years ago, the Postal Service stopped asking for the public service subsidies to which it is entitled.[1] In the Omnibus Budget Reconciliation Act of 1989, it won a hard-fought legislative battle and was placed off budget *by law*.

Yet today the Postal Service finds that its proposed legislative changes with financial impact are stymied by budget scoring decisions of CBO. In addition, restrictions in annual appropriations bills prevent it from closing uneconomic post offices or experimenting with 5-day–a-week delivery, and its financial position is eroded by a budget scoring-driven requirement to send more than $5 billion each year to the U.S. Treasury.

What Does It Mean to Be Off Budget?

The Postal Reorganization Act of 1970 (PRA), which established the modern Postal Service, gives the Postal Service considerable flexibility in managing its finances. It prevents the president from reducing any request for appropriations from the Postal Service and exempts the Postal Service from general laws dealing with budgets or funds. The Act established a Postal Service fund in the Treasury for the deposit of all revenues, interest, appropriations, proceeds from borrowing, or any other receipts from its operations. The revolving fund would be available to the Postal Service without fiscal year limitation or the need for annual appropriation.

In keeping with the PRA's philosophy that the Postal Service's finances should be independent, the Administration placed the Postal Service Fund off budget in 1974. The Postal Service Fund remained off budget until the budget struggles between Congress and the president in the mid-1980s, when the debate about the Postal Service's budget status assumed greater importance. As part of the Gramm-Rudman-Hollings Act (1985), Congress returned to on-budget status all the entities that had been statutorily exempt, with the exception of Social Security. The Postal Service, which was off budget only because of the 1974 OMB administrative decision, was brought back into the budget in 1986 by a similar OMB administrative decision. Appendix A describes in more detail the history of budget treatment of the Postal Service since its formation in 1971.

[1] Under 39 U.S.C. 2401(b), the Postal Service may request appropriations for public service costs up to 5 percent of the amount of the appropriations received by the Post Office Department in fiscal year (FY) 1971.

The issue came to a head in the late 1980s, when the Postal Service curtailed services in response to assigned budgetary cutbacks. This experience convinced a majority of Congress that postal services should not be scaled up or down depending on federal budget considerations. As part of a legislative package that included the Postal Service agreeing to several billion dollars in new contributions toward annuitant cost of living and health care costs, the Omnibus Budget Reconciliation Act of 1989 took the Postal Service off budget as a matter of statutory law. Table 1 shows the budget treatment of the Postal Service Fund since 1971.

Table 1: Budget Treatment of the Postal Service Fund

Time Period	Budget Status	Authority
1971-1973	On Budget	Administrative Decision
1974-1985	Off Budget	Administrative Decision
1986-1988	On Budget	Administrative Decision
1989-2009	Off Budget	Statute : 39 U.S.C. 2009a(2)

The law that took the Postal Service off budget is still in effect and codified at 39 U.S.C. 2009a(2). It provides that the receipts and disbursements of the Postal Service Fund shall not be included in the president's budget as sent to Congress, nor in the Congressional budget, nor be subject to any general budget limitation or reduction arising from Congressional efforts to limit federal spending.[2] Any appropriations to the Postal Service remain on budget as do funds set aside to pay for postal employees' pension and retiree health care benefits. The only other federal accounts with off-budget status are the Social Security Trust Funds.[3]

Because of its off-budget status, the Postal Service is protected from mandatory budget cuts as a result of deficit-control legislation. Many federal programs would like to share the independence now enjoyed only by the Postal Service and Social Security. For example, protectors of the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Land and Water Conservation Trust Fund argue, so far to no avail, that these activities are so important they too should be shielded from overall budget pressures and limitations.

Postal Revenues and Expenses Are Included in the Unified Federal Budget

Despite the Postal Service's off-budget status, its transactions with the public are included in the "unified federal budget." This term is not defined in law. The federal government uses the unified budget concept found in the 1967 *Report of the President's Commission on Budget Concepts*. This concept calls for the budget to include all of the government's fiscal transactions with the public.

[2] The phrase "president's budget" refers to the budget the president sends to Congress, exempting only the Social Security Trust Funds and the Postal Service Fund, except for the small appropriation to the Postal Service to subsidize mail for the blind and overseas voters.

[3] There was a strong political reaction to the possible inclusion of Social Security cutbacks in various omnibus budget reconciliation acts in the 1980s, and Congress exempted Social Security from the president's budget and the Congressional budget to send a message that the program was off limits to normal deficit control measures.

For economists and budget experts, such as the members of the Budget Concepts Commission, it is important to have a measure of public sector economic activity that counts all government transactions with the public. As a tool of fiscal policy, the size of the federal deficit or surplus is an essential measure of the effect of government spending on the economy. Without such a measure, the credit markets could not know what proportion of funds available for investment would be claimed by government borrowing and what would be available each year for private sector investment. In years when the government as a whole is running a surplus (1999 and 2000 are recent examples), the government borrows less than it repays to bondholders, leaving room for the private sector to potentially borrow at lower interest rates.

The 1967 *Report of the President's Commission on Budget Concepts*' "most important recommendation" was that a *unified budget* statement should replace the three competing concepts (then) in place and that the term *budget* "should be reserved exclusively for the new concept." The Commission saw the budget as a basic part of a comprehensive financial plan for the government, and therefore it "should include all programs of the Federal Government and its agencies," specifically including "the net surpluses or deficits of Government enterprises (*such as the Post Office*)" (emphasis added).

Both the Postal Service and Social Security are indisputably in the public sector and not the private sector (unlike government sponsored enterprises or GSEs), so their revenues, outlays, surpluses, and deficits have always been included in the unified federal budget as defined by OMB and CBO (see Appendix A).

The Postal Service's and Social Security's off-budget status has changed their presentation in the president's budget only to a limited extent. While OMB and CBO budget summaries highlight the overall budget with Social Security and the Postal Service included, they also present tables showing what the budget would look like if Social Security and the Postal Service were not included. According to the Congressional Research Service, OMB believes this presentation satisfies the requirement that the Postal Service and Social Security be treated off budget.[4] In practice, these "back of the book" tables are barely noticed in public debates over the size of the budget and budget deficits.

The large surpluses in the Social Security Trust Funds have led budgeters to pay more attention to the unified budget in recent years. Including the Social Security Trust Funds and their surpluses in the budget totals makes the deficit appear smaller. A fuller discussion of the political implications of Social Security's off-budget status appears in Appendix C.

[4] Congressional Research Service, *Social Security and the Federal Budget: What Does Social Security's Being "Off Budget" Mean?,* CRS Report 98-422 EPW, July 20, 2000, p. 3.

Postal Service Contributions for Retiree Benefits Sit in On-Budget Accounts

The Postal Service sets aside money to pay for the future benefits of postal workers. For example, contributions for pension obligations flow to the Civil Service Retirement and Disability Fund (CSRDF), which also holds contributions for workers in the rest of the federal government. The Postal Service deposits payments for its future retiree health care obligations into the recently-created Postal Service Retiree Health Benefits Fund (PSRHBF). Both of these funds are administered by OPM and are on budget. As a result, any changes in contributions to these funds have an on-budget effect. See Table 2 for a summary of these relationships.

Table 2: Key Postal Funds at Treasury

Fund	Budget Status
Postal Service Fund	Off Budget
CSRDF	On Budget
PSRHBF	On Budget

Budget Impacts Constrain Postal Legislation

As discussed more fully in Appendix A, the principal budget-related obstacle standing in the way of Postal Service legislative initiatives is the "pay-as-you-go" or PAYGO rules in the House of Representatives and the Senate. House Rule XXI, Clause 10, provides that it is out of order for the House to consider legislation outside the regular appropriation process that would increase the deficit. Because deficit is not further defined, it is assumed that the rule applies to the unified federal budget.

The current Senate PAYGO rule (Section 201 of the FY 2008 Budget Resolution) more specifically targets the on-budget deficit. Any senator can raise a point of order against legislation that increases the on-budget deficit, and it can be overridden only on the vote of three fifths (normally 60) of the Members. Since CBO routinely "scores" initiatives in the framework of the *unified federal budget*, any proposed legislation that has the effect of raising Postal Service costs (see the next section) or reducing its Treasury payments runs into the House of Representatives' PAYGO obstacle.

In 2001 the Government Accountability Office (GAO) put the Postal Service on its list of "high-risk" programs because of rising financial pressures. Thus when the Office of Personnel Management (OPM) announced on November 1, 2002, that the Postal Service was paying into the CSRDF at a rate that would overfund its obligations by $71 billion, the news was greeted with acclaim in the postal community.

In reviewing the OPM calculations, GAO put the projected overfunding even higher — as much as $103 billion — because OPM had, in its calculations, treated the responsibility to pay retirement benefits based on prior military service as an obligation of the Postal Service, which GAO said was inconsistent with current law. Reducing those payments to an actuarially determined level would come close to solving the financial problems that had placed the Postal Service on GAO's High-Risk List. It seemed a simple matter to make the legislative change required; however, this proved not to be the case.

Budgetary Impact of the Postal Civil Service Retirement System Funding Reform Act of 2003

CBO's principal responsibility is to review proposed legislation to determine its impact on the federal budget. CBO measures (or "scores") this effect in terms of the change that a bill would make from its unified federal budget "baseline," which is the amount the federal government would take in and pay out if there were no changes to current law. Under current law, the Postal Service is expected to have a certain level of revenues and expenses arising from its operations. Its revenues are government collections, and its payments for wages, benefits, transportation, and supplies are government outlays. CBO is not concerned with the ups and downs of postal business based on the economy, just with changes in collections and outlays that arise from legislative proposals.

For example, in reviewing a draft of the legislation to change the retirement contribution formula late in 2002, CBO said that while the legislation would improve the financial position of the Postal Service, it could increase deficits in the unified federal budget by as much as $41 billion in the 11-year period from FYs 2003 to 2013. CBO said that if the savings (or more accurately, reduction of overpayments) were used to delay future rate increases, this would reduce overall government receipts in the future from what they would otherwise be; the unified federal budget would be affected since mailers would be paying less and the flow of funds from the Postal Service to the CSRDF in the Treasury would be reduced. The on-budget CSRDF fund would lose the overpayments, but the off-budget Postal Service Fund would not keep the full amount since the Postal Service would delay future rate increases.

In other words, what was good for the Postal Service was deemed bad for the federal budget. CBO paid scant attention to the Postal Service's off-budget status, including no mention of it in the document summary and later dismissing it as irrelevant to budgetary concerns. "The distinction between on-budget and off-budget transactions has no bearing on the overall budgetary effects of the current proposal," said CBO.

In the end, supporters of the Postal Service had to make severe compromises to minimize the budget scoring objections to the bill. The final legislation (P.L. 108-18, the Postal Civil Service Retirement System Funding Reform Act of 2003) allowed the Postal Service to use its "savings" to pay off its debt and delay increasing rates for 3 years, but any further benefits were to be collected in an escrow fund. This neutralized the budget impact as long as the Postal Service was denied access to the funds. Further, the overall amount of the overpayment was reduced by changing the law to make the Postal Service responsible for retirement credits earned by postal workers as a result of prior military service.

Budgetary Impact of the Postal Accountability and Enhancement Act

By the end of FY 2005, the Postal Service had reduced to zero its debt to the Federal Financing Bank in the Treasury. As noted above, in FY 2006, P.L. 108-18 required the Postal Service to pay the "saved" amount into an escrow account for Congress to later determine how the funds would be used. The funds were to be unavailable to the Postal Service while in escrow. CBO estimated that the escrow would cost the Postal Service (and therefore the mailing public) nearly $3 billion in FY 2006 and $36 billion over the next 8 years.

The recognition that this was not a sustainable situation helped focus attention on postal reform legislation, which was given further impetus by the June 2003 report of the President's Commission on the United States Postal Service. The House and Senate held 13 hearings on postal reform between 2003 and 2006. Senator Susan Collins, Chair of the Senate Governmental Affairs Committee, observed at one hearing that "two issues … united every single witness who has testified before our committee at these six previous hearings … a desire to see the escrow account repealed and the return of the military pension obligation to the Treasury Department."[5]

Postal reform legislation was well received in Congress. Bills that would have removed the escrow requirement and returned the military service obligation to the Treasury (and reformed many other aspects of postal affairs) cleared the House Committee on Government Reform and the Senate Committee on Governmental Affairs by votes of 40-0 and 17-0 respectively in 2004, but they died at the end of the year because the Administration circulated a white paper asserting that the bills would have an adverse impact on the budget. The Administration required that any postal reform legislation must be budget neutral.

The Postal Service filed for a 5.4 percent rate increase with the Postal Rate Commission in April 2005 — an increase the Postmaster General said would not be necessary if Congress would act to allow the Postal Service to use the escrow fund for operational expenses. Congress did not act, however, and the rate increase went into effect in January 2006, assuring that the escrow payments would continue to be made and the escrow fund would continue to grow.

Postal reform legislation was introduced again in the 109th Congress and initially regained the momentum it had had the previous year. H.R. 22, the House bill, cleared the Government Reform Committee on a 39-0 vote in April, 2005. On the day it was brought to the floor of the House, however, the Administration issued a Statement of Administration Policy threatening a veto.

> [T]he bill ultimately presented to the President must not contain provisions that would have an adverse impact on the Federal budget, either by releasing funds from escrow without devoting them to pre-fund liabilities or

[5] *The Postal Service in Crisis: A Joint Senate-House Hearing on Principles for Meaningful Reform*, Committee on Government Reform House of Representatives and the Committee on Governmental Affairs United States Senate, March 23, 2004, Serial No 108-171, U.S. Government Printing Office (2004), p. 33.

> by transferring the military service obligation from the Postal Service to taxpayers. <u>Should the final bill have such an impact on the Federal budget, the President's senior advisers would recommend that he veto the bill.</u>[6]

Despite this threat, the House rejected by a voice vote an amendment that would have made the bill budget neutral by keeping the military obligation the responsibility of the Postal Service and requiring that none of the funds be used for operations. The bill then passed the House, on July 26, 2005, by a vote of 410-20. The Senate passed a similar bill by unanimous consent on February 9, 2006. At that point, the bill went into limbo, until the waning days of the 109th Congress.

The reason for the legislative impasse was the cost of the measure to the unified federal budget, as scored by CBO, coupled with the Administration's adamant demand that there be no net effect on the budget, a demand a number of legislators supported as well. In private meetings with CBO, supporters of postal reform quickly realized that the approach of simply dissolving the escrow fund and allowing the Postal Service to use the funds to support its operations would be negatively scored by CBO. In addition, since *current* law (after the passage of P.L. 108-18) placed responsibility for military retirement obligations for postal employees in the hands of the Postal Service, that became part of the budget scoring baseline. Reverting the responsibility to Treasury, broadly supported in Congress as a matter of equity, would also have a cost to the unified budget.

In the end, the Postal Accountability and Enhancement Act (Postal Act of 2006) achieved budget neutrality by providing that the Postal Service would make 10 annual payments of between $5.4 billion and $5.8 billion each to the newly created Postal Service Retiree Health Benefits Fund (PSRHBF) over the 10-year CBO scoring window. The fund could not be tapped to pay actual retiree health benefits during those 10 years. The annual payments were not based on any actuarial determination of the Postal Service's future obligations for health benefits of its retirees. Rather, the numbers were produced by CBO as the amounts necessary to offset the loss of the escrow payments required by P.L. 108-18. The escrow was, in turn, merely the amount that the Postal Service had been overpaying into the CSRDF before P.L. 108-18. The CBO cost estimate for the final bill (H.R. 6407) noted both on-budget effects that increased the unified budget deficit and off-budget effects that decreased it, but they largely cancelled each other out. The effects on the unified federal budget were clearly what mattered.

Budget Effects of Reduced Prefunding of Retiree Health Payments

Although the Postal Service can potentially benefit financially in the long run from the Postal Act of 2006, in the 2 years since its passage the required contributions to the PSRHBF have become more of a burden than anticipated. Struggling to cope with

[6] Executive Office of the President, Office of Management and Budget, Statement of Administration Policy, "H.R. 22, Postal Accountability and Enforcement Act," July 26, 2005 (emphasis in original).

declining mail volume and the requirement to pay into the PSRHBF $5.6 billion in FY 2008, $5.4 billion in FY 2009, and up to $5.8 billion per year in future years has led directly to actual and projected losses and a resurgence in Postal Service debt.

As was the case with legislation to reduce CSRS overpayments and the legislation that later became the Postal Act of 2006, there is substantial support in Congress for legislation that would reduce the impact of the inflexible PSRHBF payments on the Postal Service's bottom line. H.R. 22,[7] which would allow the Postal Service to pay its share of contributions for current retirees out of the PSRHBF in 2009, 2010, and 2011, has 339 co-sponsors in the House and cleared the House Oversight and Government Reform Committee by voice vote on July 10, 2009. A different relief bill, S. 1507, was ordered to be reported by the Senate Homeland Security and Governmental Affairs Committee on July 30, 2009. It would change the required contribution schedule to reduce payments in the next 5 years. The Postal Service supports both bills, but once again its efforts to move needed legislation through Congress are running up against the effects of change on the unified federal budget baseline.

CBO's cost estimate of H.R. 22 was released on July 20, 2009.[8] CBO said that allowing the Postal Service to make current retiree health payments from the PSRHBF would not directly increase the budget deficit. However, CBO said there would be an *indirect* effect on the unified federal budget because, it opined, the Postal Service would modify its behavior and diminish its cost-cutting efforts if it were allowed to pay benefits for current retirees from the $37.9 billion balance in the PSRHBF rather than from current revenues. CBO apparently discounted a direct assertion by the Postmaster General to the CBO Director, backed up by a personal letter, that the Postal Service would not abate its massive cost-cutting efforts because "volume and revenue projections leave us no choice. I would like to re-emphasize," the Postmaster General wrote on March 25, "that the Postal Service is not in the position to relax any of the cost-cutting measures that we are undertaking."

CBO said that it expected that the Postal Service would spend "about half" of the $4.7 billion reduction in required payments for current retirees in 2010 and 2011, though it is too late in 2009 for the Postal Service to relax its efforts by more than $200 million. Thus the total cost of the bill to the unified federal budget is, in CBO's opinion, $2.55 billion over the 3-year period. Unless the House PAYGO rule is waived, any Member can raise a point of order against consideration of the bill on the floor because it will raise the deficit in the unified federal budget.

Annual Appropriations to the Postal Service

One reason that some stakeholders are confused about the "off-budget" status of the Postal Service is that the Postal Service does indeed receive a relatively small annual appropriation (generally around $100 million) from Congress that appears in the president's budget every year. This is to compensate the Postal Service for providing

[7] The bill shares its number with the House bill that was the precursor to the Postal Act of 2006.
[8] As of August 26, 2009, CBO has not issued a cost estimate for S. 1507.

free or subsidized mailing privileges to groups that Congress and the Administration agree deserve support from the taxpayers.

The subsidy is currently limited to free mail for the blind and for official mail to overseas voters. Although the amount is small as a proportion of the Postal Service budget, and even smaller as part of the president's budget, the appropriation has nonetheless been manipulated to minimize its impact on the federal budget deficit in ways that disadvantage the Postal Service. Appendix B provides background information on the "revenue forgone" appropriation and describes how the president and Congress have succeeded in shifting the cost of preferred mailer subsidies from the president's budget to the Postal Service.

An argument could be made that the revenue forgone appropriation is more of a bother than it is worth. It is routinely mischaracterized as a subsidy from the taxpayer to the Postal Service, even by OMB. Further, it allows Congress to annually re-impose restrictions on the Postal Service's ability to close small post offices or cut back on delivery days, because these prohibitions are riders on the annual appropriations bill.

Can the Postal Service Escape Federal Budget Pressures?

Most Postal Service stakeholders believe that the PRA has been a success. The business model that the Postal Service should support itself on revenues collected from users of the mail has been validated by 38 years in which the Postal Service has broken even, sometimes had no debt, and stopped asking for an appropriation to cover the public service cost of mail service. The PRA gave the Postal Service some independence from executive control over its purse strings, and on the whole the Postal Service has used its discretion responsibly. Arguably, its financial performance is superior to that of the executive branch itself over this period.

Cost Shifting to the Postal Service

Several times over the years, Congress and the president have agreed on legislation to extract contributions from the Postal Service to cover obligations that the PRA had kept with the Treasury. In the omnibus reconciliation acts of the 1980s, the Revenue Forgone Reform Act of 1993, and the assignment of military retirement costs to the Postal Service in 2003, the Postal Service found itself liable for a progressively larger share of government costs.

Some of these costs stemmed from commitments for pensions and other retirement benefits made to employees before the Postal Service existed. The PRA requires the Postal Service to keep its overall program of fringe benefits at or above the level in effect when the Postal Service started. Others stemmed from shifting the cost of Congressionally-directed subsidies to preferred mailers like non-profits to other mail classes. The gradual shifting of costs for subsidizing postage rates for preferred mailers through manipulation of the revenue forgone appropriation provides another example of imposing government obligations on the Postal Service.

This suggests that the current financial constraints borne by the Postal Service are not without precedent. Finding its legislative program stymied by the impact on the unified federal budget and its financial performance eroded by required payments to the Treasury to make the deficit seem smaller, the Postal Service is once again being forced to contribute to reducing deficits in the rest of government. Many Americans still think that the Postal Service operates at the expense of the taxpayer. Not only is this untrue, but taxpayers would have shouldered more of the cost of government over the years had not legislated contributions from the Postal Service frequently substituted for taxpayer dollars.

In principle, the notion that the Postal Service can operate most efficiently when it is independent of executive branch finances is almost universally accepted. The PRA embodied this principle, and it was endorsed by large Congressional majorities when the legislation to take the Postal Service off budget was enacted in 1989. The House Committee that reported the bill was explicit:

> Mail delivery … should not be scaled up or down depending on federal budget considerations. Because postal services are fully funded by postage rates, the Postal Service does not contribute to the federal deficit, and should not be included in deficit reduction plans. On-budget treatment leaves the Postal Service open to pressures to increase revenues (by raising postal rates) or decrease expenditures (by reducing services or cancelling or deferring capital investments).[9]

Unfortunately, this principle has sometimes been forgotten as Congress engages in the perennial struggle to balance revenues with expenditures in the federal budget. But the practice of scoring legislation that solely affects the Postal Service's finances and its retirement contributions has the effect of negating the Congressional policy decision that the Postal Service "should not be included in deficit reduction plans."

A Suggested Initiative

The Postal Service might regain some of its financial independence from an initiative to remind its Congressional supporters and other stakeholders how it is different from other agencies with regard to the budget. The Postal Service was taken off budget two decades ago, and few who are involved in contemporary policy debates remember why Congress took this step. The Postal Service tends to regard its off-budget status as an interesting artifact with little practical application. Fundamentally, however, it is a matter of some consequence that Congress formally recognized that the Postal Service runs a business and that subjecting it to budget constraints does damage to its productivity and efficiency.

The Postal Service should pursue this message in its public and congressional communications. In the context of such an initiative, we specifically recommend that the

[9] H.R. Rep. No. 177, 101st Cong., 1st Sess. Part 2 (1989), p. 3.

Postal Service pursue three changes to its current relationship with Congress and the budget process.

Waive or Change the House PAYGO Rule

In recent years, the Postal Service has treated CBO with deference. Its interactions with CBO are infrequent and nearly always seem to take the guise of special pleadings and negotiations over what the Postal Service can do to lower the "budget score" of needed legislative changes in order to avoid PAYGO constraints. CBO, in turn, has little institutional knowledge of Postal Service operations.

Within the zero sum confines of the unified federal budget, negotiations with CBO inevitably cost the Postal Service money in the form of transfers to the federal Treasury. An alternative approach would be to ignore CBO and take the argument directly to Congress that the unified budget score should not matter. Congress decided in 1989 that the Postal Service worked best when it was shielded from budget constraints, and there is no good reason why that fundamental determination is any less valid today. *It provides a rational, reasonable justification for waiving PAYGO rules.*

It is the House PAYGO rule that most threatens the Postal Service's independence from national budget constraints. (The Senate's PAYGO rule empowers a point of order only against legislation that "would increase the *on-budget* deficit" (emphasis added) and legislation affecting the Postal Service alone, as an off-budget entity, should not do that.) Only the House leadership needs to be convinced to grant a rule waiving PAYGO requirements for postal legislation. Postal legislation usually enjoys broad support in the House, so it is unlikely that there would be a large political price to pay for bending the House rule for the benefit of the Postal Service.

An equally effective alternative would be to amend the House rule to refer only to *on-budget* deficits as the Senate rule already does. This would most likely be done at the beginning of a new Congress, when the majority party customarily revises its rules to make the legislative process work better and resolve procedural problems that appeared in the previous Congress.

Place the Postal Retiree Funds Off Budget for the Postal Service to Manage

Any legislation, however, that reduces the Postal Service's contributions to the PSRHBF or the CSDRF, will continue to increase the on-budget deficit as long as these funds remain on budget. This fact opens postal legislation to a point of order in both the Senate and the House. A potential solution is to put the Postal Service's share of the CSDRF in a separate fund, move it and the PSRHBF off budget, and let the Postal Service manage the funds and collect interest from them. It could be argued that such a step is needed to follow through on the Congressional determination that the Postal Service Fund should not be on budget.

Opt Out of the Appropriations Process

The Postal Service has made a policy decision every year since 1982 not to request from Congress an appropriation for public service costs to which it is entitled by law. Not requesting an appropriation to support mail for the blind and overseas voters, and instead finding some other way to pay for the service, might have the benefit of cementing the financial independence of the Postal Service in the minds of the public and policy makers, and would free the Postal Service from riders attached to the appropriations that limit its ability to act in a business-like manner.

One way to do this would be for the Postal Service to absorb the subsidized cost. The Postal Service already bears the costs of subsidies for non-profit mailers, for law enforcement activities of the Postal Inspection Service, and for keeping open money-losing post offices. Compared to the costs of these subsidies, the roughly $100 million annually for mail for the blind and overseas voters is a relatively trivial amount.

It is true that other mailers would then have to bear the costs of mail for the blind and overseas voters, as long as those subsidies remain in the statute books. Full-cost mailers are already bearing much higher costs than this for subsidies to non-profit mailers, however, and might accept a further charge along the same lines if it contributed to a healthier, more independent, and more productive Postal Service.

Another approach would be to have the federal agencies most responsible or affected by the free mail receive the required subsidies directly from Congress. These agencies would then pay the Postal Service to process and deliver mail for the blind and overseas voters.

Conclusion

This white paper will have partially achieved its objective if it convinces spokespersons for the Postal Service to begin communicating a message to its supporters in Congress that the Postal Service's finances should be treated independently of the national budget. That is the spirit and arguably the letter of current law, yet it is absent from today's dialogue, both as a general principle and in the context of specific legislative initiatives such as H.R. 22 and S. 1507.

Such an initiative may not win today's battles, but sustained over time it can have a positive effect on the terms of debate. Right now the off-budget issue, to the extent that it is recognized as an issue, is driven by large surpluses in the Social Security Trust Funds. But those surpluses are shrinking and will disappear in the next decade, removing the incentive to direct attention to the unified budget as the measure of fiscal responsibility. Now is the time for the Postal Service to lay the groundwork for an eventual return to true independence from national budget entanglements.

Appendices

Appendix A Budgetary Treatment of the Postal Service

For nearly 200 years, the Post Office was firmly established as part of the executive branch of government, and like any other department, received annual appropriations to finance its operations. Postal prices and postal worker wages were specified in law. Since Congress was reluctant to raise postage rates, revenues lagged behind costs, and the taxpayer wound up subsidizing the post office, with appropriations often exceeding postage receipts by more than 25 percent.

Managing the Post Office efficiently was very difficult when the appropriations level was unpredictable; capital investments were particularly hard to manage in the confines of a budget measured in cash outlays. While there were many persuasive arguments for passage of the PRA, one was certainly the Congressional desire to end routine taxpayer subsidies to users of the mail, and another was recognition that a stable source of funding for both operations and investments would enable to the Postal Service to improve productivity and operate more efficiently.

The PRA established the Postal Service as an "independent establishment" in the executive branch and provided it with several powers to guarantee its financial independence and promote a businesslike management structure. Section 410 of the Act lists the government-wide laws that would continue to apply to the Postal Service, but section 410 (a) says that "…. no Federal law dealing with public or Federal contracts, property, works, officers, employees, *budgets or funds* shall apply to the exercise of powers of the Postal Service" (emphasis added).

The Act established a Postal Service Fund in the Treasury into which would be deposited all revenues, interest, appropriations, proceeds from borrowing, or any other receipts from its operations. The Postal Service Fund was a revolving fund "available to the Postal Service without fiscal year limitation to carry out the purposes, functions, and powers" that the law gave the Postal Service.

The PRA required the Postal Service to submit a "business-type budget" to OMB, along with detailed information on its financial condition and operations, but it instructed the president to include in his budget transmitted to Congress, "with his recommendations but without revision," any Postal Service request for appropriations. Appropriations were authorized for the "public service" of keeping open post offices that did not pay their way and to reimburse the Postal Service for providing free or discounted mailing privileges to the blind, in-county newspapers, and a variety of non-profit organizations. To protect the Postal Service from being forced to absorb the cost of these subsidies, the law empowered the Postal Service to adjust its rates to charge full cost for preferred users of the mail if Congress failed to provide appropriations to cover the cost of their subsidies.

Beyond these provisions, the PRA was silent on how the Postal Service should be dealt with in the annual budget process. If the president could not revise the Postal Service's request for appropriations, in what sense was the Postal Service really part of the national budget? The answer to that question has changed over time and is still at issue. To address it, it is necessary to explore how the modern budget framework has evolved.

The President's Commission on Budget Concepts

An important determinant of the Postal Service's current situation was put into place even before the Postal Service was established as an independent entity. To allay widespread confusion in the public over the use of three different measures of the size and economic significance of the national budget (the administrative budget, the consolidated cash budget, and the national income accounts budget),[10] President Johnson appointed a blue ribbon commission in 1967 to recommend an "approach to budgetary presentation which will advance both public and Congressional understanding of this vital document."

The 1967 *Report of the President's Commission on Budget Concepts* gained immediate credibility and is today regarded as the seminal document in determining what information should be included in the budget and how it should be presented. Although it led to no implementing legislation and has no legal authority, the Commission's report "remains to this day the most authoritative statement on federal budgetary accounting concepts and principles," according to CBO.

The Commission labeled its "most important recommendation" that a unified budget statement should be used to replace the three competing concepts then in place, and that the term *budget* "should be reserved exclusively for the new concept." The Commission saw the budget as a basic part of a comprehensive financial plan for the government, and therefore it "should include all programs of the Federal Government and its agencies," specifically including "the net surpluses or deficits of Government enterprises (such as the Post Office)."

The budget was to serve three important national purposes: not only (1) to measure the economic impact of the budget on the economy each year; or (2) to decide the appropriate allocation of resources by agencies and programs as negotiated by the president and Congress; but also (3) to provide an accurate measurement of the scope of overall government financial activity vis-à-vis the private sector.

The Commission observed that "the major reason for increasing dissatisfaction with the administrative budget," or the budget then presented to Congress by the President, was the exclusion of trust funds from the totals. Trust funds included the old age and survivors fund, unemployment insurance, federally aided highway construction, Medicare, and civil service retirement, but not postal funds because the Post Office was

[10] The administrative budget, which provided an indication of the president's fiscal plan, excluded trust funds, deposit funds, and government-sponsored enterprises. In contrast, the consolidated cash budget, which showed the flow of cash, included them. The national income accounts budget was intended to show the federal government's share of national income (gross national product). It included trust fund transactions but excluded transactions such as loans that did not generate new income.

still a department fully integrated into the executive branch with no dedicated source of funding.

The Commission reasoned that the trust fund balances had important, even determinative effects in the calculation of government influence on income and employment, in managing Treasury cash balances, and in forecasting Treasury cash borrowing needs, which in turn affected private sector borrowing, investment, and interest rates. It also noted that Congress could and did with some frequency pass legislation changing contribution levels, tax rates, eligibility standards, and distribution formulas for one or another of the trust funds, further indicating that these funds should be part of the budget. A budget that did not include the trust funds made no sense to the Commission members.

President Johnson implemented the core of the Commission's recommendations in sending up his FY 1969 budget, under the president's broad authority granted by the Budget and Accounting Act of 1921 to determine in what form the national budget was to be presented. The trust funds, including Social Security, were included in the budget. Adding the trust fund transactions to the budget (especially Social Security) had the effect of reducing, though not eliminating, the deficit shown in the budget, because in the aggregate more money was flowing into the trust funds than was flowing out.

Congressional Budget Procedures

In 1974, Congress for the first time adopted a process of its own for developing budget goals through passage of annual budget resolutions. Before development of the Congressional budget process, Congress had approved piecemeal appropriations, tax, and entitlement laws with no overall controls on the totals. The Congressional Budget and Impoundment Control Act (P.L. 93-344), constrained Congress to keep within an overall spending limit, thus forcing tradeoffs among competing priorities.[11]

The new law significantly changed budget procedures. Standing budget committees were created in both houses of Congress, and CBO was formed to provide professional expertise. Like the presidential budget, budget resolutions under the new Congressional procedures reflected a unified budget approach that included trust funds, most notably Social Security.

One aspect of Congress's efforts to control spending has been labeled "pay-as-you-go' or PAYGO procedures; their general purpose is to discourage the enactment of legislation outside of the normal appropriations process during a session that would increase a budget deficit, either by requiring new expenditures or reducing expected revenues. The nature of PAYGO requirements has changed often in the past 35 years. For many years the requirements were embodied in statute, but statutory procedures

[11] Change was also spurred by disputes between Congress and President Richard Nixon. As had previous presidents, President Nixon sometimes prevented agencies from spending funds appropriated by Congress — a practice called impoundment. President Nixon, however, impounded significantly more funds than his predecessors and a large share were dedicated to highway and pollution control projects that had widespread support in Congress. The Congressional Budget and Impoundment Control Act ended impoundment.

were effectively terminated in 2002 and Congress has been unable to agree on their reenactment. Nevertheless, both the House and the Senate now have PAYGO requirements in the rules adopted by each chamber. They are significantly different.

The House rule (House rule XXI, Clause 10), provides that it is not in order to consider legislation having "the net effect of increasing the deficit or reducing the surplus." An opponent of a legislative proposal that would increase the deficit could raise a point of order against consideration of the measure. The rule can be waived by a special rule reported by the House Rules Committee, usually by a simple majority vote. In practice, the House leadership controls the Rules Committee and can provide a waiver of the PAYGO rule when it determines that an exception to the general rule is warranted.

The Senate rule now in effect (Section 201 of the FY 2008 Budget Resolution) makes it not in order to consider legislation "that would increase the on-budget deficit or cause an on-budget deficit." Any Senator can raise a point of order against such legislation, and it can be overridden only on the vote of three fifths (normally 60) of the Members.

Budgetary Treatment of the Postal Service Since 1971

The PRA did not address the budget treatment of the Postal Service Fund. For its first 2 years, the budget continued to carry the Postal Service as an on-budget entity, just as it had before the law was enacted. The following year, FY 1974, President Nixon's budget declared that the budget would no longer include the Postal Service in its totals, aside from the request for appropriations to cover legislated subsidies. The Postal Service had requested this change. The declared rationale was to "reflect its independence from federal control," but the change was made easier to grant by the fact that it reduced reported federal outlays by over $300 million that year because the Postal Service was running a cyclical deficit. Although the decision to place the Postal Service off budget was an administrative one originating with OMB, it remained the practice for a dozen years.

Postal Service Fund Placed on Budget by OMB Administrative Decision

However, a variety of other federal entities also successfully sought the off-budget status enjoyed by the Postal Service, and the budget began to veer farther and farther away from the comprehensive ideal promoted by the Commission on Budget Concepts. Social Security and Medicare, the Export-Import Bank, the Rural Telephone Bank, the U.S. Railway Association, the Pension Benefit Guaranty Corporation, The Synthetic Fuels Corporation, the Federal Financing Bank, and the purchase of fuels for the Strategic Petroleum Reserve were all created outside or removed from the budget. Eventually, more than one-fifth of federal spending was thus shielded from budget scrutiny.

In 1985, OMB Director David Stockman proposed putting all federal off-budget spending back on the books, partly to return to the principles of the Budget Concepts Commission, but also because he was aiming for cuts in the off-budget programs and wanted to claim the related deficit savings as a measure of fiscal discipline. As part of the Gramm-Rudman-Hollings Act, Congress returned to on-budget status all the entities that had been statutorily exempt, with the exception of Social Security. The Postal Service, which was off budget only because of the 1974 OMB administrative decision, was brought back into the budget in 1986 by a similar OMB administrative decision.

Statutory Off-Budget Status, 1989

With the Postal Service clearly on the federal budget after 1986, it proved to be an attractive target for the budget balancing crises of the late 1980s. OMB proposed major cuts in the Postal Service budget. The Congressional budget process imposed spending limits on each House and Senate Committee, and the House Post Office and Civil Service Committee found it politically less costly to apply its cut quota to postal accounts than to accounts of the federal civil service workforce, the other big-dollar program within its jurisdiction.

The 1988 and 1989 budget reconciliation acts required the Postal Service to contribute $1.2 billion to Treasury funds for retirement and health benefits for federal employees, and further required it to reduce operating costs and capital expenditures to cover these payments, with GAO to monitor the process. The Postal Service not only stopped work on 74 percent of its capital improvement projects in 1988 and 50 percent in 1989, but it also cancelled delivery on two Saturdays, suspended weekend mail collection and processing, and shortened window hours at post offices around the country, causing a raucous public outcry. As the president of the Parcel Shippers Association summed up the situation in Congressional testimony on March 22, 1988:

> In order to reduce the projected deficits for Fiscal Years 1988 and 1989, the Office of Management and Budget, which has presided over the most massive deficits in the history of the United States, proposed to ameliorate those deficits by cutting operating expense and capital expenditures of the Postal Service, an agency which had for the previous five years balanced it costs and its revenues. As a result of being "on budget," and therefore subject to the political manipulations of the Administration and the Congress, the Postal Service, which is financed almost totally by my company and the myriad of other mail users, has been forced to cut back on service and massively curtail its capital spending program.[12]

OMB Director James Miller, in his book covering this period, called the Postal Service's response "its version of the Washington Monument Game," contending that there were many less disruptive ways of achieving operational savings.[13] Chairman Mickey Leland of the Subcommittee on Postal Operations and Services also opined that the cuts in

[12] *United States Postal Service Budget, Hearings*, Committee on Post Office and Civil Service, House of Representatives, March 22 and 24, 1988, Serial No 100-43, U.S. Government Printing Office (1988), pp. 122-3.
[13] Jim Miller, *Fix the U.S. Budget!: Urgings of an "Abominable No-Man,"* 1994, pp 103-4.

service were made in “a highly public and obvious manner … in a deliberate attempt to make the public feel the effects of the spending reductions.”[14]

Nevertheless, with active participation by mailers and workers in the effort, the Postal Service gained considerable support within Congress for the proposition that this was no way to run a business, and that Postal Service operations should not be driven by short-term federal budget deficit projections. A bill to return the Postal Service to off-budget status passed the House by a wide margin in 1988, but the Senate did not vote on it. In the next Congress, H.R. 982 gained 200 co-sponsors and passed in the House 405-11 on September 12, 1989. A companion bill had 70 co-sponsors in the Senate.

Apparently the George H.W. Bush Administration saw the support for off-budget status and agreed to it as long as the Postal Service consented to shoulder all remaining annuitant cost of living allowances and health insurance costs for its employees. The House off-budget bill was consolidated into the Omnibus Budget Reconciliation Act of 1989, and the Postal Service was for the first time in history *statutorily* placed off budget. Because the Postal Service was running a deficit that year, this had the effect of reducing the FY 1990 reported budget deficit by $3.4 billion in budget authority, just enough to meet the instruction in that year’s budget resolution for the authorizing committee to save exactly that much.

[14] Ibid., p. 4.

Appendix B Revenue Forgone Appropriations to the Postal Service

When Congress put the Postal Service on a self-sustaining basis in 1971, it continued its long-standing practice of subsidizing the mailing costs of such groups as the blind, non-profit organizations, local newspapers, churches, and publishers of educational material. The PRA authorized an appropriation to the Postal Service to cover the revenues that were given up, or "forgone," in charging lower rates to these groups, or no postage at all in the case of mail for the blind and overseas voters. To reassure skeptics that Congress would not later transfer these costs to the Postal Service, the law authorized the Postal Service to charge full rates to these groups if Congress failed to appropriate an adequate amount of money to cover the forgone revenues.

In fact, this appropriation has become contentious over the years. The costs of the subsidy and the appropriation grew as high as $970 million in 1985, earning the attention of budget cutters when deficits in the president's budget were an issue. Congress failed to make the appropriation in some years, but prevented the Postal Service from exercising its statutory right to charge full postage to the subsidized mailers by forbidding it from doing so in appropriation act language.

The Revenue Forgone Reform Act of 1993 resolved the situation, but in a way that shifted most costs of the subsidy to the Postal Service. It required nonprofit mailers to cover a gradually increasing proportion (eventually rising in 1998 to half) of their institutional costs and shifted the rest to other mail classes. (This was revised in 2000 with the passage of Public Law 106-384 which set non-profit rates as a standard discount below commercial rates.)

Congress would henceforth provide appropriations only for free mail for blind, overseas voters, and an insignificant number of consular officials. Because substantial amounts were owed for the failure of appropriations in FYs 1991-1993 and because the Postal Service would lose more during the phase-in period for the non-profits, the Act also authorized the appropriation of $29 million each year from 1994 through 2035. No interest on the debt was provided, which ignored the time value of money.

For the rest of the 1990s, the revenue forgone appropriation was relatively uncontroversial, as costs fell to around $100 million per year, including the $29 million provided for the past 13 years to pay off the old debt. But more recently the appropriation has again become a target in the budget process.

Ever since 1999, Congress has deferred payment for revenue forgone to the year following the year in which the Postal Service incurs its expenses. This avoided scoring the cost in 1999. The Bush Administration termed this a "misleading budget practice" in its FY 2002 budget but in future budgets continued to propose the deferred appropriation. The Obama Administration's first budget (for FY 2010) also proposes that the bills not be paid until 2011.

OMB also routinely discounts the Postal Service's estimate of the volume of mail for the blind and overseas voters, recommending a lower amount to Congress and then making up the difference in budgets 2 years later. The shortfall between actual expenses and the amount appropriated was $24.2 million in FY 2005, $16.0 million in FY 2006, $20.4 million in FY 2007, and $19.9 million in FY 2008. The Postal Service estimates that $91.9 million will be required to finance free and reduced rate mail in FY 2010, but OMB has lowered the figure to $68.8 million and Congress is once again likely to provide the lower figure (in FY 2011). The Postal Service can expect to recoup the funds in FY 2013 as a "reconciliation adjustment."

In yet another attempt to use Postal Service funds to make the president's budget seem smaller, OMB has been proposing for the past 5 years that the $29 million annual payment for revenue forgone by the Postal Service in the 1990s be discontinued. OMB argued that the Postal Service has been relatively prosperous in recent years and does not really need the money. Congress provided the appropriation anyway, perhaps persuaded by the argument that the Postal Service would have to write off the entire amount owed (more than $800 million between now and 2035) as a bad debt if Congress terminated the payment. In the FY 2010 budget, for the first time since FY 2005, the Administration proposes that the payment be made as required by the Revenue Forgone Reform Act.

Appendix C Social Security and the Federal Budget

Of the two off-budget entities, the one that matters to most analysts is Social Security. The Postal Service's revenues of about $75 billion are dwarfed by Social Security payroll tax collections ($673 billion in 2008) and the $2.4 trillion balance in the Social Security Trust Funds. More significantly, the annual Social Security surplus has until recently been dependably huge, while the Postal Service's net profit or loss falls within a narrow range and has a negligible impact on the larger economy. The ready availability of surpluses in the Social Security trust funds reduces the need for the government to borrow from the public to cover the shortfall between tax revenues and expenditures that would result in the absence of those surpluses.

While the unified budget has been presented in budget documents each year since 1969, in recent years it has become much more critical in budgetary debate than was formerly the case. In 1999 and 2000, as the result of a booming economy and rising tax collections from the budget battles early in the Clinton Administration, the budget situation changed from chronic deficits to one of actual surpluses. Even the president's budget was in surplus, and economists, considering the additional Social Security surplus too, began to assess the economic effects (not all of them positive) of eliminating the national debt.

This changed abruptly in 2001 when, due to large tax cuts and increased military spending, that surplus turned into a deficit. Exactly how large the deficit would be became a matter of rancorous political dispute. In order to minimize the size of projected future deficits, proponents of the tax cuts used the unified federal budget rather than the president's budget as the measure. Because the Social Security Trust Funds were still collecting large surpluses each year as the baby boomers were in their peak earning years and had not begun to draw their retirement benefits, these "off-budget" surpluses could offset a large increase in the president's budget deficit as negotiated with Congress — but only if the unified federal budget was regarded as the appropriate measure of fiscal responsibility.

The Postal Service's surplus or deficit was dwarfed by Social Security's numbers, but the Postal Service was drawn into the fray as the other off-budget component of the unified federal budget. If the logic is accepted that the unified budget is what matters, a consequence is that the Postal Service will be exposed to budget pressures even though Congress agreed in 1989 that it should not be.