



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 22, 2009

### **H.R. 22**

### **United States Postal Service Financial Relief Act of 2009**

*As passed by the House of Representatives on September 15, 2009*

#### **SUMMARY**

Current law requires the United States Postal Service (USPS) to pay \$5.4 billion to the Postal Service Retiree Health Benefits Fund (PSRHBF) in fiscal year 2009. H.R. 22 would reduce that payment to \$1.4 billion.

CBO estimates that enacting the legislation would result in on-budget costs of \$2.8 billion and off-budget savings of \$2.8 billion over the 2009-2019 period. (Cash flows of the Postal Service are recorded in the Postal Service Fund and are classified as off-budget, while the PSRHBF is an on-budget account.) Combining those effects, CBO estimates that enacting H.R. 22 would result in no net cost to the unified budget over the 2009-2019 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-	2009-
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
<b>CHANGES IN DIRECT SPENDING</b>													
<b>On-budget Effects (PSRHBF)</b>													
Estimated Budget Authority	4,000	0	0	0	0	0	0	0	-400	-400	-400	4,000	2,800
Estimated Outlays	4,000	0	0	0	0	0	0	0	-400	-400	-400	4,000	2,800
<b>Off-budget Effects (Postal Service Fund)</b>													
Estimated Budget Authority	-4,000	0	0	0	0	0	0	0	400	400	400	-4,000	-2,800
Estimated Outlays	-4,000	0	0	0	0	0	0	0	400	400	400	-4,000	-2,800
<b>Total Unified Budget Effects</b>													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0	0

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

- a. The Postal Service has stated that it will not be able to make the payment that it is required to make to the PSRHBF in 2009. If the full 2009 payment were not made, the estimated on-budget and off-budget effects of the legislation would change, but CBO estimates that the total unified effects for 2009 would still be zero.

## BASIS OF ESTIMATE

CBO assumes that H.R. 22 will be enacted before the end of fiscal year 2009. The act would reduce the 2009 payment from the Postal Service to the PSRHBF, an on-budget account established by the Postal Accountability and Enhancement Act (Public Law 109-435) to prefund retirees' health benefits. H.R. 22 would lower the required payment from \$5.4 billion to \$1.4 billion.

CBO estimates that enacting H.R. 22 would result in both off-budget savings and on-budget costs of \$4 billion in 2009; the net cost to the unified budget would be zero that year.

H.R. 22 also 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 act would reduce payments into the PSRHBF in 2009, balances of that fund would be lower than otherwise expected. 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 about \$400 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 PSRHBFB, 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.

## **PREVIOUS CBO ESTIMATES**

On July 20, 2009, CBO transmitted a cost estimate for H.R. 22 as ordered reported by the House Committee on Oversight and Government Reform on July 10, 2009. That version of the legislation would authorize USPS to make payments for retirees' health insurance premiums from the PSRHBFB for fiscal years 2009 through 2011. CBO estimated that the net cost to the unified budget of enacting the earlier version of H.R. 22 would be about \$2.5 billion (direct spending) over the 2010-2019 period.

On September 14, 2009, we transmitted a cost estimate for S. 1507, the Postal Service Retiree Health Benefits Funding Reform Act of 2009, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on July 30, 2009. The bill would make several changes to the payments that USPS makes for retirees' health insurance premiums. CBO estimated that the net cost to the unified budget of enacting S. 1507 would be \$2.8 billion (direct spending) over the 2009-2019 period.

## **ESTIMATE PREPARED BY**

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