CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 29, 2012

H.R. 2309
Postal Reform Act of 2011

As ordered reported by the House Committee on Rules on March 26, 2012

SUMMARY

H.R. 2309 would change the laws that govern the operation of the United States Postal Service (USPS). Major provisions of the bill would:

- Permit the Postal Service to reduce mail delivery from six to five days per week;
- Transfer about $11 billion in surplus retirement contributions from the Civil Service Retirement and Disability Fund (CSRDF) to the Postal Service Fund;
- Reduce the contribution made by the Postal Service for employees' health and life insurance premiums;
- Change the payments that the Postal Service is required to make to the Postal Service Retiree Health Benefits Fund (PSRHBF); and
- Eliminate annual appropriations made to the Postal Service for free and reduced rate mail.

In addition, other provisions of H.R. 2309 would aim to help the Postal Service reduce its costs and increase its income.

CBO estimates that enacting the bill would result in off-budget savings totaling about $28 billion and on-budget costs of about $8 billion over the 2012-2022 period. (USPS cash flows are recorded in the federal budget in the Postal Service Fund and are classified as off-budget, while the cash flows of the PSRHBF and CSRDF are on-budget.)

Combining those effects, CBO estimates that the net savings to the unified budget from enacting H.R. 2309 would be about $20 billion over the 2012-2022 period. All of those

effects reflect changes in direct spending. Enacting H.R. 2309 would not affect revenues. Pay-as-you-go procedures apply because enacting the legislation would increase on-budget direct spending.

In addition, CBO estimates that H.R. 2309 would affect spending subject to appropriation. Assuming that future appropriations for the Postal Service are reduced consistent with the bill's provisions, we estimate that implementing H.R. 2309 would yield discretionary savings of $980 million over the 10-year period.

H.R. 2309 would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on some groups of mailers by increasing postage rates.

The bill also would impose an intergovernmental mandate on the state of Alaska by requiring the state to reimburse the USPS for costs it incurs to provide bypass mail service in Alaska. Assuming that the requirement on Alaska is enforceable, CBO estimates that the costs of complying with the intergovernmental mandates in the bill would exceed the annual threshold established in UMRA beginning in 2015. CBO projects that the intergovernmental threshold in 2015 will be $77 million, as adjusted for inflation.

CBO estimates that the costs to the private sector to comply with the mandates would fall below the annual threshold for private-sector mandates established in UMRA ($146 million in 2012, adjusted annually for inflation) in the first five years the mandates are in effect.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2309 is shown in Table 1. The costs of this legislation fall within budget functions 370 (commerce and housing credit) and 600 (income security).

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2309 will be enacted in the spring of 2012. The bill would affect outlays of the off-budget Postal Service Fund and the on-budget PSRHBF and CSRDF. CBO estimates that net savings to the unified budget would total about $20 billion over the 2012-2022 period.

TABLE 1. SUMMARY OF BUDGETARY IMPACT OF H.R. 2309, THE POSTAL REFORM ACT OF 2011

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
OFF-BUDGET CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	-5,450	-675	-1,777	-607	-721	-3,292	-3,226	-3,163	-3,103	-3,039	-2,978	-12,522	-28,031
Estimated Outlays	-5,450	-675	-1,777	-607	-721	-3,292	-3,226	-3,163	-3,103	-3,039	-2,978	-12,522	-28,031
ON-BUDGET CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	10,900	0	0	-2,250	-2,250	260	260	260	260	260	260	6,660	7,960
Estimated Outlays	10,900	0	0	-2,250	-2,250	260	260	260	260	260	260	6,660	7,960
UNIFIED BUDGET CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	5,450	-675	-1,777	-2,857	-2,971	-3,032	-2,966	-2,903	-2,843	-2,779	-2,718	-5,862	-20,071
Estimated Outlays	5,450	-675	-1,777	-2,857	-2,971	-3,032	-2,966	-2,903	-2,843	-2,779	-2,718	-5,862	-20,071
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization Level	20	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-480	-980
Estimated Outlays	5	-85	-100	-100	-100	-100	-100	-100	-100	-100	-100	-480	-980

Note: Positive numbers indicate increases in costs; negative numbers indicate reductions in costs.

Off-Budget Changes in Direct Spending (Postal Service Fund)

CBO estimates that enacting H.R. 2309 would reduce net USPS spending by about $28 billion over the 10-year period; such spending is classified as off-budget. Lower spending would result mainly from authorizing the Postal Service to reduce mail service from six days per week to five. Details of changes in spending from the Postal Service Fund are shown in Table 2 and discussed in the following subsections.

Reduction of Mail Delivery. H.R. 2309 would authorize the Postal Service to deliver mail five days per week, beginning early in calendar year 2013. As a result, the Postal Service expects that it would eliminate mail delivery on Saturdays. The Postal Service estimates that this reduction in service would result in net savings of $3.1 billion annually, mostly in personnel and transportation costs. The Postal Regulatory Commission (PRC) estimates that reduction of mail delivery from six to five days per week would save only $1.7 billion per year. The PRC estimates lower net savings largely because it disagrees with the Postal Service's assumption that most mail currently delivered on Saturdays could be delivered on Mondays with minimal increased costs. PRC's estimate therefore includes a bigger expected offset to the gross savings for eliminating Saturday deliveries.

TABLE 2. OFF-BUDGET CHANGES IN DIRECT SPENDING UNDER H.R. 2309

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2022
Reduction of Mail Delivery												
Estimated Budget Authority	0	-750	-1,500	-2,500	-2,500	-2,500	-2,400	-2,300	-2,200	-2,100	-2,000	-20,750
Estimated Outlays	0	-750	-1,500	-2,500	-2,500	-2,500	-2,400	-2,300	-2,200	-2,100	-2,000	-20,750
Transfer of Surplus Postal Retirement Contributions												
Estimated Budget Authority	-10,900	0	0	0	0	0	0	0	0	0	0	-10,900
Estimated Outlays	-10,900	0	0	0	0	0	0	0	0	0	0	-10,900
USPS Changes in Spending												
Estimated Budget Authority	5,450	0	0	0	0	0	0	0	0	0	0	5,450
Estimated Outlays	5,450	0	0	0	0	0	0	0	0	0	0	5,450
Limit Postal Contributions for Health and Life Insurance												
Estimated Budget Authority	0	0	-327	-381	-485	-506	-530	-552	-577	-603	-632	-4,593
Estimated Outlays	0	0	-327	-381	-485	-506	-530	-552	-577	-603	-632	-4,593
Changes in Payments to the PSRHBF												
Estimated Budget Authority	0	0	0	2,250	2,250	-260	-260	-260	-260	-260	-260	2,940
Estimated Outlays	0	0	0	2,250	2,250	-260	-260	-260	-260	-260	-260	2,940
Payment from the State of Alaska												
Estimated Budget Authority	0	-25	-50	-76	-101	-126	-126	-126	-126	-126	-126	-1,008
Estimated Outlays	0	-25	-50	-76	-101	-126	-126	-126	-126	-126	-126	-1,008
Elimination of Annual Appropriations												
Estimated Budget Authority	0	100	100	100	100	100	100	100	100	100	100	1,000
Estimated Outlays	0	100	100	100	100	100	100	100	100	100	100	1,000
Changes in Rates for Mail Services												
Estimated Budget Authority	0	0	0	0	15	0	-10	-25	-40	-50	-60	-170
Estimated Outlays	0	0	0	0	15	0	-10	-25	-40	-50	-60	-170
Total Off-budget Changes												
Estimated Budget Authority	-5,450	-675	-1,777	-607	-721	-3,292	-3,226	-3,163	-3,103	-3,039	-2,978	-28,031
Estimated Outlays	-5,450	-675	-1,777	-607	-721	-3,292	-3,226	-3,163	-3,103	-3,039	-2,978	-28,031

Note: PSRHBF = Postal Service Retiree Health Benefits Fund.

Based on the estimates prepared by USPS and the PRC, CBO estimates that reducing mail delivery from six to five days per week would save about $2.5 billion annually by fiscal year 2015 (roughly the midpoint of the USPS and PRC estimates). Estimated savings in 2013 and 2014 would be lower—about $750 million and $1.5 billion, respectively—as the Postal Service increases efficiency under the new delivery system. Beginning in 2018, we expect that annual savings would gradually decline as those funds would probably be spent by the Postal Service or returned to mailers in the form of lower rates rather than accumulating as large annual surpluses in the Postal Service Fund. We estimate that annual savings would fall to $2 billion by 2022.

Transfer of Surplus Postal Retirement Contributions. Within two weeks of enactment, H.R. 2309 would transfer to the Postal Service Fund any surplus in the USPS Federal Employee Retirement Systems (FERS) account within the CSRDF as of September 30, 2010, less any required contributions to FERS that the Postal Service has not made during fiscal years 2011 and 2012. The amount transferred to the Postal Service Fund also would be reduced by the amount of any liability for USPS retirement contributions for employees enrolled in CSRS as of September 30, 2010.

The Office of Personnel Management (OPM) estimates that the Postal Service's surplus for its FERS account in the CSRDF was $10.9 billion as of September 30, 2010. According to OPM, there is a surplus—not a liability—for USPS retirement contributions for employees enrolled in CSRS as of September 30, 2010, so that calculation would not affect the amount transferred. The Postal Service stopped making FERS contributions in June 2011, but the agency made those unpaid contributions in December 2011, so there would be no reduction to the amount transferred to the Postal Service Fund.

Therefore, under the bill, CBO estimates that $10.9 billion would be transferred from the CSRDF to the Postal Service Fund in fiscal year 2012. This transfer would be classified as a savings of $10.9 billion in off-budget direct spending for the Postal Service Fund in 2012. (This also would result in a cost of $10.9 billion to the on-budget CSRDF, as discussed below.)

USPS Changes in Spending. H.R. 2309 would permit the Postal Service to use the $10.9 billion transferred from the CSRDF for purposes that it considers appropriate. Based on information from the Postal Service, we expect that the agency would use the amount transferred to make payments to the PSRHBF, pay off its debt to the U.S. Treasury, fund employee buyout plans, or for other expenses.

We expect that use of those transfers would effectively lower the net expenses of the Postal Service by $10.9 billion in 2012; that reduction would lead the agency to modify its ongoing efforts under current law to reduce spending. 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. For example, 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 plan to cut $5.9 billion in 2009 alone. Since then, the Postal Service has announced plans to close post offices and other facilities, lay off employees, and make major reductions in service.

CBO expects that the transfer of $10.9 billion to the Postal Service would lead the agency to alter its cost-reduction program by cutting spending less aggressively than it would without the legislation. Thus, CBO anticipates that enacting this legislation would lead USPS to increase other expenses relative to current law. We estimate that this increase in other postal expenses would be about half of the $10.9 billion that would be transferred—$5.45 billion in 2012 (although some effects could occur in fiscal year 2013).

Limit Postal Contributions for Health and Life Insurance. Currently, the Postal Service pays 78.5 percent of the health insurance premiums and 100 percent of the life insurance premiums for most of its employees. H.R. 2309 would lower those employer contributions to about 70 percent for health insurance and 33 percent for life insurance. For employees covered by a collective bargaining agreement, the lower employer contributions would take effect after the expiration of the agreement. For other employees, the lower contributions would begin in fiscal year 2014.

In fiscal year 2011, the Postal Service paid about $4.8 billion for health insurance premiums and about $187 million for life insurance premiums for active employees. Based on those current payments, CBO estimates that the lower employer contributions under H.R. 2309 would save about $650 million in 2014, with potential savings growing to nearly $1 billion by 2016 when all employees would be subject to this provision. For this estimate, CBO anticipates that some individuals who face lower employer contributions would either leave the Federal Employees Health Benefits (FEHB) program or switch to lower-cost plans.

However, as with the savings from the $10.9 billion transferred from CSRDF, we anticipate that enacting this provision would lead the agency to cut expenses less aggressively than it otherwise would and thereby lead to an increase in other postal expenses. For example, the Postal Service has sharply curtailed its capital spending in recent years and could apply savings from the lower employer contributions to enhancements in facilities or other postal infrastructure. CBO estimates that net savings to the Postal Service would be about half of the potential savings—$327 million in 2014, $506 million by 2017, and $632 million by 2022.

Changes in Payments to the PSRHBF. Under current law, over the 2012-2016 period the Postal Service is required to make specified annual payments ranging from $5.6 billion to $11.1 billion in 2012 to the PSRHBF, an on-budget account established by the Postal Accountability and Enhancement Act (Public Law 109-435) to prefund future retirees' health benefits. Beginning in 2017, the agency is required to make annual payments amortized over 40 years to liquidate the unfunded liability for retirees' health benefits. The unfunded liability is the total liability accrued to date for retirees' health benefits minus the PSRHBF balance; that is, the amount that has not been set aside to cover future liabilities.

H.R. 2309 would increase the specified payment to the PSRHBF for fiscal year 2015 from $5.7 billion to $7.95 billion and would increase the 2016 payment from 5.8 billion to $8.05 billion.

This provision would increase off-budget costs by $2.25 billion in both 2015 and 2016. In addition, OPM estimates that it would decrease the amortization payments required over the 2017-2022 period by about $260 million annually. (This also would result in savings in 2015 and 2016 and costs over the 2017-2022 period to the on-budget PSRHBF, as discussed below.)

Payments from the State of Alaska. H.R. 2309 would direct the state of Alaska, beginning in fiscal year 2013, to make annual payments to the Postal Service to cover the costs of providing certain mail service (known as “bypass mail”) in the state provided by private air carriers. The amount of the payment for a full year would be estimated by the PRC. Under the bill’s provisions, the state’s first payment would be equal to 20 percent of the full-year estimate, with payments for each subsequent year growing by an additional 20 percent of the PRC estimate.

For this estimate, CBO assumes that USPS could enforce this requirement on the state, and that Alaska would make the payments as directed by the bill. Based on information from the PRC, CBO estimates that the payment to the Postal Service would be about $25 million in 2013, increasing to $126 million by 2017. (If the provision was found by courts to be unenforceable, we expect that USPS would continue to provide such services to customers in Alaska and that this provision of the bill would result in no savings to the Postal Service.)

Elimination of Annual Appropriations. H.R. 2309 would eliminate the annual appropriation to reimburse the Postal Service for delivery of free and reduced rate mail, including mail for overseas voting and mail for the blind. Based on the amounts appropriated in recent years, CBO estimates that this provision would replace discretionary spending of $100 million per year with direct spending from the Postal Service Fund, beginning in fiscal year 2013, assuming that future appropriations for the Postal Service are reduced consistent with this estimate. (Reductions in spending subject to appropriation are discussed below.)

Changes in Rates for Mail Services. H.R. 2309 would direct the Postal Service to gradually increase rates for nonprofit advertising mail, beginning no earlier than three years after the bill’s enactment to equal 80 percent of the rate charged to deliver commercial advertising. The nonprofit rates are currently between 60 percent and 75 percent of the commercial rate. Because there is an annual cap on rate increases for each class of mail, raising rates for nonprofit advertising would require lowering rates for other mail products in the same class. Based on information from the Postal Service about the anticipated responses to price changes by users of nonprofit mail and other mail products in that class, we estimate that this provision would result in a net decrease in USPS revenues in 2016 of about $15 million but would increase revenues over the 2016-2022 period by $170 million. (USPS revenues are a credit against direct spending by the agency.)

The bill also would direct the Postal Service to set postage rates (within the annual cap on rate increases in current law) so that most types of mail products cover the costs attributable to them. In addition, H.R. 2309 would require the Postal Service to raise rates each year on those classes of mail with delivery costs that exceed revenues, beginning at the end of 2015. Those increases would depend on the outcome of a study to be prepared by the PRC in 2014 concerning excess capacity within USPS.

In general, the Postal Service aims to set rates to maximize total mail revenue. CBO anticipates that the Postal Service will continue to attempt to maximize revenue while decreasing costs although we cannot predict the extent to which revenue for certain classes of mail will cover their costs in 2015. (The PRC has already directed the Postal Service to increase the cost coverage for certain products.) It is unclear whether changing rates or reallocating price increases under the current cap on rate increases to ensure the cost coverage of certain products would significantly increase or decrease total revenue in the future.

On-Budget Changes in Direct Spending

CBO estimates that enacting H.R. 2309 would increase on-budget direct spending by about $8 billion over the 2012-2022 period. Those costs result from changes in the cash flows of the CSRDF and the PSRHBF as shown in Table 3 and discussed in the following subsections.

TABLE 3. CHANGES IN DIRECT SPENDING FOR ON-BUDGET ACCOUNTS UNDER H.R. 2309

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2022
Transfer of Surplus Postal Retirement Contributions												
Estimated Budget Authority	10,900	0	0	0	0	0	0	0	0	0	0	10,900
Estimated Outlays	10,900	0	0	0	0	0	0	0	0	0	0	10,900
Changes in Payments to the PSRHBF												
Estimated Budget Authority	0	0	0	-2,250	-2,250	260	260	260	260	260	260	-2,940
Estimated Outlays	0	0	0	-2,250	-2,250	260	260	260	260	260	260	-2,940
Total On-budget Changes												
Estimated Budget Authority	10,900	0	0	-2,250	-2,250	260	260	260	260	260	260	7,960
Estimated Outlays	10,900	0	0	-2,250	-2,250	260	260	260	260	260	260	7,960

Note: PSRHBF = Postal Service Retiree Health Benefits Fund.

Transfer of Surplus Postal Retirement Contributions. As discussed previously, H.R. 2309 would transfer to the Postal Service Fund any surplus in the USPS FERS account within the CSRDF as of September 30, 2010, with certain adjustments made to that amount. Based on information from OPM, CBO estimates that $10.9 billion would be transferred from the CSRDF to the Postal Service Fund in 2012. This transfer would increase on-budget spending from the CSRDRF by $10.9 billion in 2012.

Changes in Payments to the PSRHBF. As discussed previously, H.R. 2309 would increase the specified payment from the Postal Service to the PSRHBF from $5.7 billion to $7.95 billion for fiscal year 2015 and from $5.8 billion to $8.05 billion for fiscal year 2016.

By increasing receipts to the PSRHBF, this provision would decrease on-budget costs by $2.25 billion in both 2015 and 2016. In addition, OPM estimates that it would decrease the amortization payments paid to the PSRHBF by the Postal Service over the 2017-2022 period by $260 million annually (the reductions in payments would be recorded as on-budget costs).

Other Provisions that Could Affect Direct Spending

Several other provisions of H.R. 2309 could help the Postal Service in its efforts to lower costs; however, CBO has not estimated additional savings for those provisions because it is not clear that any such savings would exceed what we expect could be achieved under current law or under other provisions of the legislation.

The bill would: establish a commission to recommend closures and consolidations of postal facilities; direct arbitrators involved in future labor negotiations to consider the financial condition of the Postal Service when mediating disputes between USPS and its labor unions; and reform Postal Service contracting practices. Those provisions might reduce USPS costs, but CBO expects that any net savings probably would be indistinguishable from savings that could result from the Postal Service’s current efforts to close facilities or negotiate more favorable labor contracts and improve procurement practices.

H.R. 2309 also would authorize the Postal Service to establish a program to allow advertising at USPS facilities and on USPS vehicles and a program to provide services for agencies of state governments or federal agencies for a fee. Implementing these programs would require the Postal Service to compete with the various media currently available to advertisers and to offer cost-effective alternatives for services to state or federal agencies. Those proposed programs might increase USPS revenues but also would add to costs. CBO has no information to predict the cost-effectiveness of such new ventures undertaken by the Postal Service.

Finally, under the bill, if the Postal Service were in default for more than 30 days to the U.S. Treasury with respect to any form of borrowing, or for any scheduled payments to any fund in the U.S. Treasury, the proposed Postal Service Financial Responsibility and Management Assistance Authority would be established. That new authority would be a new entity that would advise and potentially control the Postal Service. CBO cannot judge whether the new management entity would be more successful than the existing USPS management structure; however, because the bill would transfer an estimated nearly $11 billion to the Postal Service in 2012, CBO does not expect that USPS would be in a financial situation that required the new management authority to be created for the foreseeable future.

Spending Subject to Appropriation

H.R. 2309 would authorize the appropriation of $20 million from the Postal Service Fund for the Commission on Postal Reorganization that would be established by the bill. The commission would evaluate and recommend potential closures and consolidations of postal facilities and carry out other duties. CBO estimates that the commission would spend about $5 million in fiscal year 2012 and about $15 million in 2013, assuming appropriation of the authorized amounts.

H.R. 2309 also would eliminate the annual appropriation to reimburse the Postal Service for the delivery of free and reduced rate mail, including overseas voting materials and mail for the blind. Based on the amounts appropriated in recent years, CBO estimates that this provision would save about $100 million per year, beginning in fiscal year 2013, assuming future appropriations for the Postal Service are reduced consistent with this estimate.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table. (Enacting H.R. 2309 would not affect revenues.) Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

CBO Estimate of Pay-As-You-Go Effects for H.R. 2309, the Postal Reform Act of 2011, as ordered reported by the House Committee on Rules on March 26, 2012

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Impact	10,900	0	0	-2,250	-2,250	260	260	260	260	260	260	6,660	7,960

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2309 would impose intergovernmental and private-sector mandates, as defined in UMRA, on some groups of mailers and on the state of Alaska. Assuming that the requirement on Alaska is enforceable, CBO estimates that the costs of complying with the intergovernmental mandates in the bill would exceed the annual threshold established in UMRA beginning in 2015. CBO projects that the intergovernmental threshold in 2015 will be $77 million, including adjustments for inflation. CBO estimates that the costs to the private sector to comply with the mandates would fall below the annual threshold for private-sector mandates established in UMRA ($146 million in 2012, adjusted annually for inflation) in the first five years the mandates are in effect.

Mandates That Apply to Both Public and Private Entities

H.R. 2309 contains intergovernmental and private-sector mandates because it would increase the postage rates for mail used as advertising by nonprofits and entities that mail agricultural periodicals three years after enactment. Based on the current postal price structure, an increase in the rates for standard nonprofit mailers would result in a decrease in the rates paid by standard commercial mailers. The net increase for standard mailers would total about $60 million over the first five years the mandates are in effect. (Nonprofit and commercial standard mailers include both public and private entities.) Because the bill would increase postage rates for governmental mailers, such as public libraries and schools, and would decrease costs for agencies of state and local governments that pay regular rates, CBO estimates that the net costs, if any, to public entities would be small.

Mandate That Applies to Public Entities Only

The bill would impose an intergovernmental mandate on the state of Alaska by requiring the state to reimburse the USPS for costs it incurs to provide bypass mail service in Alaska. Bypass mail is mail that is prepared by a pre-qualified shipper and delivered directly to the recipient by a private air carrier. The USPS pays the private air carrier a set rate for the delivery. Assuming that the requirement on the state of Alaska to pay the reimbursement is enforceable, CBO estimates that the cost to the state would be about $25 million in 2013 and would increase to about $130 million by 2017.

Mandate That Applies to Private Entities Only

In addition, the bill would increase the postage rate paid by national and state political committees by repealing their current discount. Based on information from the USPS, CBO estimates that the cost to those mailers would be small and fall well below the annual threshold beginning the first year after enactment.

PREVIOUS CBO ESTIMATES

On December 1, 2011, CBO transmitted a cost estimate for H.R. 2309, the Postal Reform Act of 2011, as ordered reported by the House Committee on Oversight and Government Reform on October 13, 2011. We estimated that enacting that version of H.R. 2309 would result in off-budget savings totaling $26.2 billion and on-budget costs of $7.7 billion over the 2012-2021 period for a net savings to the unified budget of $18.5 billion. The two versions of the bill are nearly identical; however, this cost estimate includes new estimates for two provisions. For this estimate CBO has used new information to decrease its estimate of savings from reduced mail delivery schedule and from reducing USPS contributions to employees' health and life insurance. This cost estimate for H.R. 2309 also includes estimates for fiscal year 2022 for all provisions. On balance, CBO estimates that enacting the legislation would yield net unified budget savings of $20.1 billion over the 2012-2022 period.

On January 26, 2012, CBO transmitted a cost estimate for S. 1789, the 21st Century Postal Service Act of 2011, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on November 9, 2011. We estimated that enacting S. 1789 would result in off-budget savings of $25.6 billion and on-budget costs totaling $31.9 billion over the 2012-2022 period for a net cost to the unified budget of $6.3 billion.

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