

USPS gets short-term relief from Obama's 2012 budget, but some call it a bailout

By [Alexis Levinson](#) - The Daily Caller 12:29 AM 02/17/2011

The United States Postal Service has fallen on tough times, struggling to find both [revenue](#) and relevance in the digital age. President Obama's 2012 budget, released Monday, attempts to help it accomplish the first of those, providing it with a total of \$4 billion of "temporary financial relief" this year.

The money comes from two different sources. First, the Office of Personnel Management has calculated that the Postal Service has overpaid its Federal Employee Retirement System (FERS) to the tune of a \$6.9 billion surplus. Obama's budget proposes to pay that back to the Postal Service over the course of 30 years, with a large chunk of it — \$550 million — to be paid out in 2011.

Second, the Postal Service is required to pre-fund [retiree](#) health benefits for all of its employees, pursuant to a 2006 law, amounting to a sum of several billion dollars each year. The Postal Service, which lost \$8.2 billion this year, currently does not have the money to pay that. The budget proposes to adjust the schedule of payments so that the Postal Service pays out that money over the next forty years, beginning in 2017.

The proposal has its critics, with some referring to it as a \$4 billion [taxpayer](#) bailout of the Postal Service.

But Mike Schuyler, senior economist at the Institute for Research on the Economics of Taxation, calls both proposals totally reasonable.

"I do not regard what's specifically in the budget as a bailout," he told The Daily Caller.

"My reaction as an economist is 100 percent funding is a highly prudent thing," he said, regarding the over funded FERS. But, he continued, "if you've got over 100 percent funding, and you need money, taking the money out of an over funded account probably makes sense. So I have no problem with that."

Moreover, he said, "I do not think that allowing the Postal Service to reschedule its payment for the [retiree](#) health benefits fund is a bailout. If the Postal Service was told you never have to pay it: that would be a bailout."

What the budget proposes, he says, is “a rescheduling.”

But he did acknowledge that if the Postal Service did not have sufficient funds when the time came to pay, then there would be consequences. “Will the Postal Service eventually be able to pay the money it owes?” he asked. “I hope it will be able to do so. If it ends up not being able to pay it, then we will have a [bailout](#).”

The budget explains that the purpose of these proposals is “to provide USPS with the breathing room necessary to continue restructuring its operations without severe disruptions” but that it “must be coupled with meaningful reforms to its business model to make USPS viable for the medium- and long-term.”

That aspect of the budget, Schuyler said, “sort of had me scratching my head. The administration said quite rightly: the Postal Service really needs to modernize ... and yet while the administration said that, there was nothing concrete in their [budget](#) proposal that would make it any easier for the Postal Service to modernize.”

In fact, he points out, there is language that limits the Postal Service’s ability to save revenue. “You’ve still got language in the budget saying the Postal Service must deliver six days a week,” he said, “and language saying money cannot be spent on closing small post offices.” Both ideas have been floated as ways of dealing with USPS’s revenue problems.

Tad DeHaven, a budget analyst at the Cato Institute, does not see things so favorably.

“Surprise, surprise,” he said, “like on entitlements and everything else, they’re proposing to kick the can down the road with regard to the Postal Service’s long-term financial situation.”

DeHaven suggested that the long term solution was to privatize the Postal Service, but that even if that didn’t happen, the solutions being suggested were inadequate.

Members of Congress, he said, were unwilling to take the necessary steps because they get complaints from constituents when local post offices close or when stamp prices go up. Instead, he said, they come up with “gimmicky fixes that are very myopic at a time when they could use this long term vision.”

“But such is the nature of a politician, they operate on election cycles,” he added.

Looking at the budget, he was unimpressed. “It just continues to perpetuate an anachronism, and it demonstrates to me a lack of bold vision.”

Copyright © 2009 Daily Caller. All rights reserved.

Read more: <http://dailycaller.com/2011/02/17/usps-gets-short-term-relief-from-obamas-2012-budget-but-some-call-it-a-bailout/#ixzz1EF17N4wx>