

**H.R. 2309, POSTAL REFORM ACT, SECTION 403, INTRODUCED BY
CONGRESSMAN DARRELL ISSA (R-CA)**

**I. SECTION 403 WOULD ELIMINATE THE SPECIAL REDUCED RATES FOR
NONPROFIT STANDARD MAIL**

- A. Since 1951, the rates for nonprofit Standard Mail have been set by law below the corresponding commercial Standard Mail rates.
- B. The current law (39 U.S.C. § 3626(a)(6)(A)) sets the discount in average revenue per piece at 40 percent: “The rates for [nonprofit Standard Mail] shall be established as follows . . . The estimated average revenue per piece from each subclass of [nonprofit Standard Mail] shall be equal, as nearly as practicable, to 60 percent of the average revenue per piece to be received from the most closely corresponding regular-rate subclass of mail.”
- C. Section 403(b) of the Issa bill would wipe out reduced rates for nonprofit mail. The bill would narrow the 40 percent difference in average revenue per piece by five percentage points per year, until the difference was only 10 percentage points.

**II. ELIMINATION OF REDUCED RATES FOR NONPROFIT MAIL WOULD
HAVE DEVASTATING RESULTS FOR NONPROFIT ORGANIZATIONS AND
FOR SOCIETY.**

- A. Eliminating the current nonprofit discount would equate to rate increases in the order of 35 percent. Rate increases of 35 percent would have devastating effects on us.
- B. Nonprofit standard mail postage currently accounts for about \$_____, or _____% of our total operating costs.
- C. A 35% increase would raise our total operating costs by roughly \$_____, or _____% of our current total operating costs.
- D. We simply could not afford cost increases of this size. The economic downturn of the past four years has imposed enormous strains on nonprofit mailers, including our organization. Donations are down. The need for our charitable services [if the organization serves the poor or needy] is up. We have cut our costs to the bone.

- E. The reality is that rate increases of this magnitude would force us to cut back on our fundraising campaigns—and reduce spending on our core programs. (Describe.)

III. ELIMINATING SPECIAL NONPROFIT RATES WOULD OVERTURN A POLICY CONSISTENTLY UPHOLD BY CONGRESS SINCE 1951.

- A. The establishment of reduced rates for nonprofit Standard Mail reflected a judgment by Congress that the discounts were a cost-effective way of providing needed public services at lower cost than government would incur. Congress also believed that reduced nonprofit rates would strengthen our civil society, and promote the kind of democracy envisioned by James Madison and other founding fathers, by promoting a diversity of organizations that were neither government entities nor for-profit businesses.

IV. OTHER PROVISIONS OF THE ISSA BILL PROVIDE BETTER REMEDIES FOR OUT-OF-CONTROL POSTAL SERVICE COSTS.

- A. We do not disagree with most of the Issa bill. Its primary purpose—forcing the USPS to rein in its out-of-control costs—is commendable.
- B. So are most of the key provisions of the bill. We support most of the cost control measures embodied in the bill—including some, like Section 111, which would allow the Postal Service to end Saturday delivery, even though nonprofit organizations and other mailers would incur higher costs and obtain less service as a result.
- C. Phasing out the nonprofit rate discount, however, would punish nonprofit mailers—and the people they serve—for the *Postal Service's* failure to control its own costs. We think that this would be illogical and unfair.